July, 1959

Honolulu, Hawaii

WILLIAM F. QUINN, Governor of Hawaii, center, shaking hands with Robert Payne, President of the Honolulu Retail Credit Association, with Alvin A. Smith, Secretary, Honolulu Retail Credit Association, looking on.

The Credit World

Only Publication Serving the Entire Field of Retail Credit

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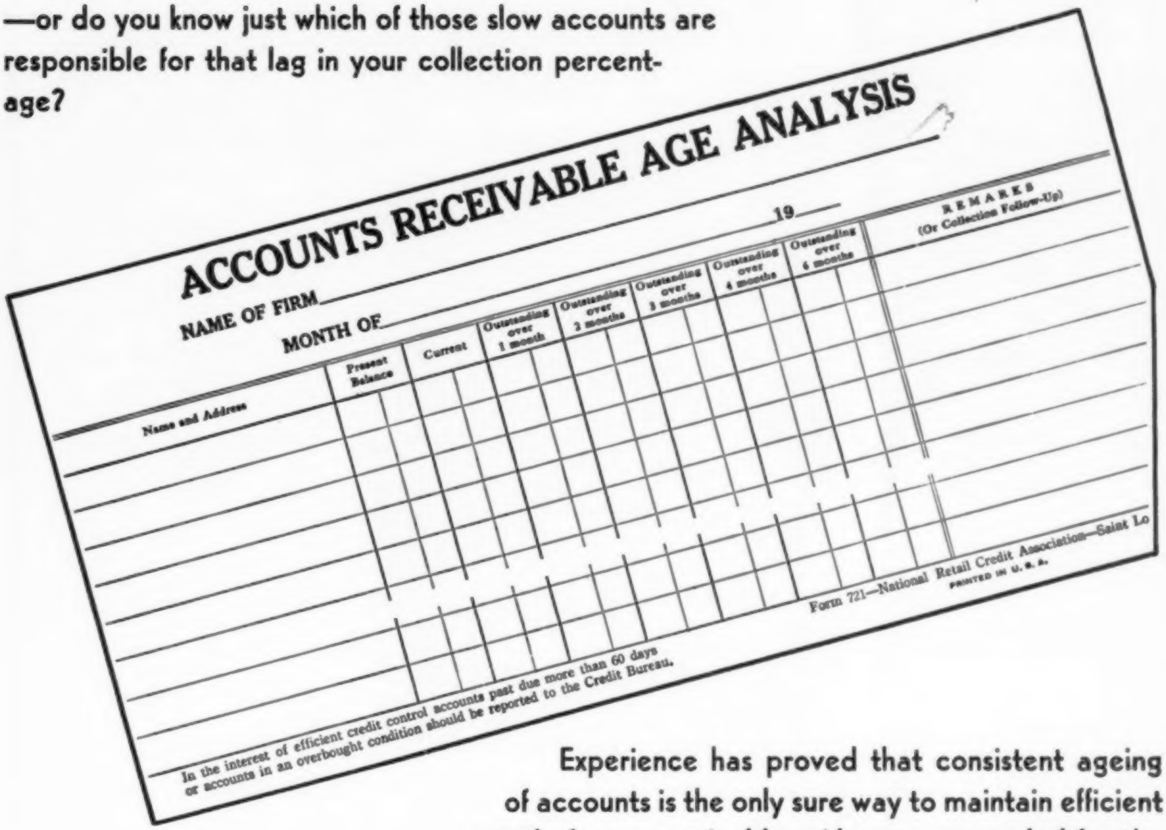
ACCOUNTS RECEIVABLE AGE ANALYSIS

NAME OF FIRM

MONTH OF 19

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OFFICIAL PUBLICATION OF THE NATIONAL RETAIL CREDIT ASSOCIATION

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Volume 47 **July, 1959** **Number 10**

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CIRCULATION OF THIS ISSUE 50,000

Entered as second-class matter at the Post Office at Fulton, Missouri, under the Act of March 3, 1879. Published monthly at 1201-05 Bluff Street, Fulton, Missouri. Subscription $3.00 a year, to *members of the National Retail Credit Association only.* Articles published in The CREDIT WORLD reflect the opinions of the authors and not necessarily the viewpoint of the National Retail Credit Association. Reproduction privileges of original material are hereby granted, provided usual credit is given. Please advise us immediately of any change in your address to avoid interruption in receiving The CREDIT WORLD.

Printed in U.S.A., by The Ovid Bell Press, Inc.

The Credit Bureau of Hawaii

ALVIN A. SMITH, General Manager

"One of the most comprehensive and progressive Credit Bureaus in the world," is how the late Harold A. Wallace of the Associated Credit Bureaus of America described the Credit Bureau of Hawaii.

Mr. Wallace's remarks referred to the multitudinous credit duties our bureau performs and the varied services we offer members and clients. Specifically, we operate a retail credit reporting service, a commercial reporting service, Medical Dental Service Bureau, an accounts receivable management service and a large collection department. We are the headquarters and do the secretarial work for the Honolulu Retail Credit Association. The Hawaii Association of Credit Men, a group of some 200 wholesale firms realizing that unification has many advantages and benefits, contracts annually with the bureau to be its paid secretary and office headquarters. Our office sets up the wholesale trade group meetings, develops credit interchange reports, calls creditors meetings, handles trusteeships and liquidations, sells memberships, collects dues, and many other necessary duties of an association secretary.

The forerunner of the Credit Bureau of Hawaii was established in 1896 and published a rating book of some 1,500 names. This rating system of credit reporting continued until 1943, at which time the book contained some 45,000 names. In 1943 the rating book was discontinued and the individual credit file system was established. We now have files on over 300,000 individuals on the Island of Oahu. We also have a branch office in Hilo on the big Island of Hawaii and another on Maui Island in the City of Wailuku. We attribute our growth to being willing to undertake any type of service that is suggested. We have a suggestion box that both employees and members utilize.

At the suggestion of members, from time to time, we have developed a Real Estate bulletin, a Building Permit and Notices of Completion bulletin, a general business bulletin and even a monthly bulletin which indicates firms or individuals that owe the taxing agencies in excess of $250.00. These are all successful and are being published currently. We have tried a bad check clearance system which was not supported. We have tried a Personal Contact Service in our collection department that was not appreciated and had to be dropped. In 1949, we helped establish a Retail Credit Managers Association and have acted as its Secretary since that time. We also helped organize a chapter of the Credit Women's Breakfast Club. One of our staff is Secretary for the Hawaii Credit Executives Council, an informal group that meets to discuss general credit policy and community credit enterprises.

In 1958, the three credit associations promoted a Territorial Credit Week that coincided with the National Retail Credit Week promoted on the mainland, to foster and promote interest in credit sales, educate the public on the proper use of credit, and call to the attention of management, the importance of credit people in the national economy.

Physically, our Honolulu office consists of 11,000 square feet of floor space on a second floor downtown location. We have 85 employees in our Honolulu office. Verbal credit reports are given with a telephone headset system plugged into a terminal box adjacent to the file requested. Our written report department develops standard consumer reports, oil company reports, FHA and VA reports, on up to comprehensive personnel reports. In the consumer department, we use standard 4 x 6 brown jackets. We started on the photo-file system but are waiting until a standard form is established and recognized. We are unique, we understand, in having a commercial reporting department. We have commercial credit files on some 12,000 island firms in letter

The picture on the left shows the Credit Bureau of Hawaii Consumer Credit File Department and on the right is the Commercial Department looking toward the Consumer Department.

size folders. This department develops mercantile reports, obtains financial statements and works in coordination with the Hawaii Association of Credit Men in developing credit interchange or Trade Clearance reports to furnish a complete commercial credit report.

We have an accounts receivable management service. This does the credit management, billing, follow-up, and collections for the medical-dental accounts, as well as some small businesses. We print the client's statements to conform to our accounting system, develop a ledger card on every customer or patient, bill monthly on a National Cash Cycle Biller, enclose a business reply envelope with prepaid postage to facilitate fast collections, deposit the money received in the member's bank account giving him a duplicate deposit slip. At the end of each month, we age and analyze the client's accounts receivable, furnish a statement of monies collected, accounts receivable outstanding and our fee for the month. We charge five per cent on monies collected from this service.

Our telephone complex necessitates a PABX substation to handle our calls. A radio teletype service in a loop arrangement between our branches on the outside Islands and the home office helps coordinate our offices. Our print shop is equipped with two 1,250 Multilith machines, a duplicating machine, a folding machine, a collator, an electric stapler, a saddle stapler, a paper cutter, a paper shredder, a postage machine, an addressograph machine, and we burn and develop our own 3M plates for the Multilith machines. We do 90 per cent of our printing in our own print shop. Territorial Collectors, our collection department, has a staff of 32 people who handle consumer, medical-dental and commercial claims. We have an attorney on retainer and provide him with office space on the premises.

Profit sharing was offered to our employees in 1956 and has been accepted by 100 per cent of those qualified. For morale and incentive purposes we establish monthly quotas in both the Credit Bureau and the collection department. When quotas are made, a dinner party is on the house. Once a year, we have a luau or a picnic for all employees and family, and once a year, we have a get together on one of the islands, for the personnel of all branches.

Yes, there are credit problems in Paradise, but the dedicated people of the Credit Bureau of Hawaii assist in keeping them to a minimum.

Charge Account Banking in Hawaii

ON FEBRUARY 5, 1959, Bank of Hawaii announced that it was going to start a Charge Plan business on the Island of Oahu and on April 6, 1959, launched this new service. Two weeks later, it announced that the plan would be extended to the neighbor Islands and be an Island-wide plan covering Oahu and the four other Islands. Kick-off date for the outer Islands was June 1, 1959.

The first bank in the Territory to adopt "charge account banking," Bank of Hawaii's Plan is similar to that of Chase Manhattan Bank of New York and Bank of America in California. Under the Bank's charge plan, they issue a credit card which will allow holder to charge goods and professional service at a wide variety of member stores and services.

Cardholders will receive one statement a month from the bank, which assumes the credit risks for all purchases. Extended payments by the card holder may be made and carry a charge of one per cent on the previous month's unpaid balance. There is no charge for joining the plan either by the merchant or the card holder.

Between the announcement date, and the kick-off date, Bank of Hawaii signed up some 472 merchants into the plan. Within a month after that, some 790 merchants had joined the plan.

Some 30,000 cards were mailed out to residents of Hawaii when the plan started, and the number has increased steadily each day since then. Bank officials said that the charge card will be issued to "any responsible person with an accepted credit rating." Cardholders do not have to be depositors of the Bank.

The Bank of Hawaii has issued the Dashew Plastic Card for use with their plan, and accounting for the entire plan is done on IBM machines. The plan is so set up that it will eventually be fully automated.

The plan is expected to be profitable to the Bank. In addition to the one per cent service charge on customers' extended payments, the Bank also collects a fixed percentage from each credit sales. Another important factor in charge account banking is that more regular banking business may be generated by the plan. Retailers and customers find it convenient to open or shift regular accounts to the Bank when the Charge Plans account is handled.

B. Siroka and Miss J. Clegg, members of the Bank of Hawaii staff, discuss programing of Charge Plan accounts. The IBM calculator is used in up-dating balances, computing service charges and posting minimum payments on the bank's Charge Account Plan.

Hawaii Observes Its Second Annual 50th State Credit Week

DONALD I. SROAT

Secretary, Honolulu Electrical Products, Honolulu, Hawaii

THE ALOHA State's Second Annual Credit Week was publicly proclaimed by Governor William F. Quinn for the days from April 20 through 25, 1959.

The soon-to-be-50th-state's Credit Week opened with a banquet at Henry Kaiser's beautiful Hawaiian Village Long House. Two hundred six persons attended this year's banquet as against 156 in 1958, indicating the increasing success of the observance. Morley Theaker, Manager, Sears, Roebuck and Company, was keynote speaker. His message on "Hawaii, Unlimited, Through Credit Sales" was one of the most stimulating our Hawaii credit fraternity has received.

He reviewed the expansion of Sears' credit sales from less than five per cent of its total sales in 1928 to 40 per cent, or $4 billion, in 1959.

Mr. Theaker urged the many company managers at the banquet to delegate complete authority to their Credit Departments and then to let their credit men operate without interference. His own experience proved that he was 90 per cent wrong whenever he tried to match his credit judgment against that of his credit manager.

Sears has developed formulas which apply to all its other operations but has never devised one to apply to the extension of credit.

To credit executives he urged patience and thoroughness in getting full information on credit applications because an applicant who is turned down is seldom recaptured as a customer.

Brief talks were also given by Leslie Thomas, President of the Hawaii Association of Credit Men, and George Harlo Brock, General Chairman of Credit Week.

This year's most successful recognition of credit sales and credit men and credit women was jointly sponsored by the Honolulu Retail Credit Association, the Credit Women's Breakfast Club and the Hawaii Association of Credit Men. These groups had the wholehearted support of the business community, Hawaii's newspapers, its clubs and service organizations. Business firms showed their interest with window displays and messages in their advertising. Many companies also included inserts on credit with their monthly statements. Interest by the retail members was particularly strong in the promotion of new charge accounts.

In both 1958 and 1959 generous cash contributions by business concerns and the credit fraternity more than covered the costs of Credit Week. Inappropriate as the idea may have been, the credit groups kept their project on a cash basis!

Weeks of preparation and detail work by General Chairman, George H. Brock, Credit Manager of Honolulu Construction and Draying Co., were responsible for the continued success of Credit Week. His assistants were: Governor's Proclamation, Calvert Chipchase, Treasurer of Bonding and Insurance Agency; Publicity, Edward Alexander, Credit Manager of the *Honolulu Star-Bulletin;* Educational, George McGregor, Credit Manager of Standard Oil Company; Banquet, L. Doris Bond; Advisory, Vergne Tanner, Credit Manager of the Von Hamm-Young Co., and Reporting, Donald Sroat, Credit Manager of Honolulu Electrical Products Company. ★★★

GEORGE H. BROCK, left, General Chairman of the 1959 50th State Credit Week introducing the keynote speaker, MORLEY L. THEAKER, General Manager, Sears, Roebuck and Company, Honolulu, at the Credit Week Banquet held April 20, 1959 at the Hawaiian Village Long House.

Department Store Credit in Hawaii

ROBERT PAYNE

***Credit Manager*, Liberty House, Honolulu, Hawaii**

FOR MANY, whose ideas of Hawaii are formed by travel ads, motion pictures, and television productions, it may come as a surprise that Honolulu has a large, modern Department Store and suburban branches incorporating the best of current store design. For 109 years Liberty House has been serving islanders and tourists alike. Old-timers still reminisce of the days when the Royal family would wait in their carriages while Liberty House clerks brought the current fashions, many months in transit from America, for their selection. That spirit of Liberty House service has remained and grown with Hawaii through the days of the monarchy, revolution, Republic, Territory and finally a full-fledged State of the United States.

Tradition, however, has not interfered with credit progress and Liberty House today offers open accounts, Revolving Budget Accounts, instalment contracts, three-pay-plans, a modern cycle billing system, plastic credit cards and customer service comparable to the finest of mainland stores. These features have so helped build customer loyalty, that Liberty House boasts the largest number of accounts in the new state and credit files second only to the Credit Bureau of Hawaii.

Credit problems in Hawaii are the same as in any other state. Regional differences occur here, as elsewhere. This is a seaport city with the transients and port "characters" normally associated with a port city. This is a fabled Pacific paradise, attracting not only the finest tourists, but, drifters, romanticists searching for an "escape" from their routine lives, and opportunists believing these isolated islands to be a refuge for questionable business schemes. This is a defense bastion with 50,000 service personnel and their families providing constant change to our charge lists. This is a melting pot of races, some still holding to their beliefs that credit is not honorable; some ignoring credit terms as they ignore any restriction brought into their lives; and others whose sense of shame is extreme if payment is delayed one or two days. In short, a city of extremes creditwise, but when brought together, these diverse elements provide a picture of any large, modern American city.

Recently, a new problem to Honolulu credit granters has appeared, just as it has in many areas of the mainland; namely, the all-inclusive credit card, two plans being promoted actively by two local financial institutions, and an additional two in the planning stage. A problem solely, in that, for the first time, consumers who have regularly paid their medical, dental, restaurant, utility and other bills in full, monthly, now may extend these payments over a period of months. Although this increases their "open-to-buy" with other firms, it is certain to find many more dangerously overextended consumers in the event of a recession or personal financial crisis. Credit sales managers are thus finding it even more necessary to develop complete credit reports before initially extending credit.

Tourists, life blood of Waikiki, and third largest industry in the state, are heavy users of credit privileges. Many arriving in Hawaii already armed with county-wide credit cards, open additional accounts at the beach specialty shops. We at Liberty House are extremely liberal in opening these accounts. We find that they are used again and again even after the tourist leaves. Our Shopping Service does a large credit business in supplying the muumuu, malo, or gifts for relatives that were forgotten in the rush of leaving. Although minimum credit identification is requested, losses on tourist accounts are even lower than the loss of .28 per cent on our local accounts.

A large percentage of credit business is done with the thousands of army, navy, marine, and air force personnel stationed on Oahu. Arriving here, their household and family needs are unusually great. A new home to furnish, a family to dress in tropical clothing, the necessities of living to purchase, which for one reason or another they were unable to bring with them. Oftentimes we find that they are heavily indebted from their previous station. In almost all cases we are able to be of service to this very vital part of our community. Much of our time is spent in helping to work out the temporary financial problems they incur. This is paid back many times by their cooperation in remittance at the "next station," after they have left the Islands. In extreme collection problems, the local military commanders have shown an unusual understanding and cooperation with retail firms.

The percentage of charge sales to total sales at Liberty House is about 53 per cent compared to a nation-wide department store figure of approximately 60 per cent. It is felt that this difference occurs, in the main, because of that segment of our population of oriental ancestry who abide by a carefully ingrained rule that "if I cannot pay cash then I do not need this merchandise." Paying of interest on instalment accounts is felt to be a stigma on their financial position. Both of these ideas are difficult barriers to overcome. However, with the newer generations these ideas are slowly dissolving, particularly so as the newly married young couples find that to keep an adequate standard of living, credit is oftentimes a necessity.

Our collection percentages are above the national averages. This has not always been true. Until World War II islanders were in the habit of paying their open accounts two or three times a year. The inculcation of prompt paying habits has been one of the more painful postwar adjustments. Happily this period seems to have passed with many of the kamaainas (old time residents) now pointing a prideful finger at their 30-day credit record.

We would be remiss if we did not mention the relations between the Credit Bureau of Hawaii and their member firms. They have been the finest and have been a big factor through the years in developing the smooth working operation that now is the pulse beat of the credit community. Over and beyond obtaining rapid and accurate reports, their guidance, timely warnings, extra services and ideas have molded a credit fraternity that has developed progressive, modern credit practices that equal any to be found in the nation. ★★★

Kamaaina Charge Club

HONOLULU, HAWAII

THE KAMAAINA Charge Club is a credit card plan operating in Hawaii as a wholly owned subsidiary of the Seaboard Finance Company. Seaboard started the Kamaaina Charge Club as its pilot plan to use as a guide in establishing an international charge plan which should be completed by 1961.

Credit Worthiness

The word Kamaaina loosely translated means "one who is native to the Islands," creditwise we mean one who has been here long enough to establish credit or who brings with them to the Islands credit worthiness deserves to have a Kamaaina Charge Club credit card. The KCC plan is similar in concept to many plans now operating on the mainland such as the Bank of America plan, Chase Manhattan, First National Bank of San Jose and many others. There are some features of the KCC plan, however, which are not familiar in plans to date and we would like to acquaint you with the whole plan which will include the new features.

KCC from the merchant's viewpoint offers credit facilities that are painless and inexpensive. You, in the credit world, know the cost of operating a credit department and we do not have to detail the advantages of a credit card to the merchant. The KCC card is presented to the merchant who thereupon takes one of our sales tickets, which we supply, fills in the necessary information incident to completing a charge sale and where a sale is in excess of the card holders floor limit, the merchant telephones KCC for authorization to make the sale. The floor limits range from $50.00 to $90.00 and an unlimited card which requires no call to KCC at any time.

Amount Deposited

The merchant receives his money for the charge upon depositing in his bank a deposit envelope which contains the sales tickets. The amount deposited in the bank is 94 per cent of the total net sales (net sales being total charges less credits for refunds or partial exchanges). Each month KCC recapitulates the dealer activity and makes a refund to the merchant if the average sale is $5.00 or more. The refund ranges from .25 per cent refund for an average sale of $5.01 to $6.00 to a 4.25 per cent refund for an average sale over $100.01. In addition to the average sale refund, we also give a volume refund depending upon the number of sales (net) made during the month. The first 250 sales are excluded from the refund calculation and the next 8,000 earn one cent per sale up to the 8,250 total, sales made over that total earn a refund of two cents per sale. The merchant, therefore, has two inducements to increase his sales; first to make his sales larger so that an average sale refund may be earned and secondly to increase his number of sales to earn the volume refund.

As a card holder in KCC the customer has the privilege of charging in a variety of stores, services and with professional men. The card holder may choose each billing period whether he wishes to pay all of the amount outstanding within 30 days of his billing date and his card privileges cost nothing or he may choose to revolve and he may pay a minimum amount which is approximately 15 per cent of his balance. This flexibility is a great inducement to become a card holder since the average family has peak periods in which purchases are made and, without having to make special arrangements, he may pay back on the instalment basis. The charge per month for using the revolving credit privilege is one per cent of the previous month's unpaid balance.

Consolidate Bills

The card holder in addition to using his card for ordinary credit card purchases may also, under the KCC plan, consolidate his utility bills. The average family has at least three utilities, electricity, water and telephone. Most families now have to either write checks covering the three utilities, write an envelope with the utility address and use a stamp or walk to the nearest utility and make a payment. Where a person uses a checking account to pay utility bills the savings in consolidating under the KCC plan is approximately $1.80 per year. Where the person who pays cash saves is in time and either car fare or automo-

Working Girls Are Good Credit Risks

BEFORE MOST GIRLS finish college they locate the young man of their choice and are either pinned or engaged to him upon graduation. Most of the young ladies enter college with that goal in mind. They are anxious for an education, but they also have something more permanent on their minds.

While I was getting my formal education at Howard College, not too many years ago, I would sit and think about all of the girls contemplating marriage. I was studying Business Administration and, while selling something to this lucrative market was not a part of the curriculum, the need to do something or sell something was a necessary part of my livelihood and my attendance at college as well.

To make a long story short, I started selling stainless steel cooking utensils during my third year at Howard. I would obtain the address of a bride-to-be, make a demonstration, and sell her on the idea of using the best in cookingware when she got married. Believe it or not, I started many young college girls on their kitchen careers.

When I completed my schooling we started the Stainless Steel Cooking Utensil Company. We handled (and still do) Regalware's Seal-O-Matic line of utensils. We since have added china, cookware, cutlery and tableware. We have 40 salesmen covering the states of Tennessee and Alabama and the average order amounts to $250.00.

A great measure of our success is due the Merchants Credit Association of Birmingham. MCA reports were important to us when orders were run through a finance company, but even more important now since we are handling our own paper. We secure a report on every customer. Since the majority of them are single girls and under 21 years of age, MCA does a super-plus job of reporting. The reports we receive include references from employers, school records and individual character references, in addition to a complete report on the parents. We receive a written report on all out-of-town customers.

Oddly enough, we have discovered from experience that the girls who buy our merchandise are in many cases better credit risks than their parents. They have good jobs and a steady income, with fewer obligations.

Less than ten per cent of our sales are cash. Terms are for 12 or 18 months and lots of our customers get married before the payments are completed.

During our two and one-half years in business in Birmingham, thanks to MCA we have had only two uncollectible accounts. When accounts get behind, as they sometimes do, we simply tell the customer that we have to report such delinquencies to the Merchants Credit Association, and before you can say Stainless Steel Cooking Utensil Company a number of them have paid up. Those few that do not are reported to MCA.

We personally train our salesmen. They get their prospects from friends and from friends of those friends. After a bride-to-be makes a purchase and has displayed it to her friends, at least one of her friends makes an inquiry and becomes a prospect. It is a vicious circle, but we like it.

As I mentioned before, because of MCA and its accurate reporting service, we have been unusually successful financially.—George W. Ash, Stainless Steel Cooking Utensil Company, Birmingham, Alabama. ★★★

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bile gas and parking expense. This plan is in operation only in Honolulu at the present time but other states will soon adopt such a plan because of its popularity.

There is another feature known as the KCC Check which in essence is the ability to use a credit card to charge "cash." Upon request the card holder may have KCC Checks in denominations of $10.00 which may be cashed or used in the same manner as money orders. There is a control of the amount issued to any one card holder since the KCC Checks were included in the KCC plan to meet emergencies, to travel or to make unusual purchases not included in the standard charge plan and for items not generally offered by the participating merchants.

We spent a year in research before we offered the KCC plan and during the period of study we discovered one extremely important phase of charge-credit operations that has in the largest stores, industries or businesses been a neglected phase of operations. That forgotten step in the chain of operations was the convenience of paying a bill once a purchase had been made. Thousands of companies pay thousands, and some millions, of dollars to induce the consumer to make a purchase but the majority of them do little to make it convenient for the customer to pay the bill and here in Hawaii the majority of families do not have checking accounts. Bearing this in mind we made arrangements with four of our five banks to have them act as collection agents for KCC. This gives the KCC card holder 25 convenient locations at which a statement may be paid and this in quite an innovation in credit card plans.

We have tried to formulate a credit card plan that will meet the needs and the desires of a large group of credit-worthy families and it is our hope that as the KCC plan matures we will be able to improve our services so that more and more people will walk into a store and say, "Charge it please to my KCC card." ★★★

JOHN A. BURNS, Delegate from the Territory of Hawaii to the House of Representatives of the Congress of the United States.

Mr. Burns was active in the cause of statehood and was delegate at the time both Houses voted overwhelmingly that the Territory of Hawaii become a state.

REVOLVING CREDIT AND OPTION CHARGE ACCOUNTS

WENDELL B. ROMNEY, *Manager, Retail Credit Sales, Z.C.M.I., Salt Lake City, Utah*

REVOLVING CREDIT and the Option Charge Account are the result of public demand and management's desire to simplify and consolidate credit plans. It is interesting to note briefly the development and expansion of credit.

Our economy and high standard of living is dependent to a great extent upon credit. Many changes have taken place during the last 25 years. Prior to that time, and during the depression of the 1930's, all efforts were focused on the job of collecting outstanding debts. Little attention was paid to credit sales promotion. The only credit offered was the 30-day, or regular charge account, and the instalment account for hard goods only. Since then, a change in our credit thinking and credit philosophy has opened the way to greater volume through credit. World War II accelerated the demand for goods and after the return to more normal years, competition for the consumer dollar became more intensified. To expand sales, it was necessary to expand credit.

We realize now the importance of the credit customer to profitable sales volume. Credit is not only a means of increased profit through larger sales, but also a profit is realized through the interest and service charges added to the accounts. Revolving credit is one of the newer credit plans geared to the present day demands for instalment buying without the red tape of the regular instalment account, which requires the customer to visit the Credit Department before each new purchase is made. Many stores throughout the country, however, are still hesitant to adopt revolving credit, yet it has grown to the point of being almost as important to total store volume as the regular budget credit. Revolving credit provides the customer with a charge account plan with a fixed or flexible limit. Consider its advantages.

1. Revolving credit appears to the budget conscious customer—the small income wage earning group. There are many customers who can meet a reasonable monthly payment, but would overbuy if offered a regular 30-day account.
2. The Plan is especially attractive to the newlyweds operating on a limited budget.
3. Revolving credit plan offers the Charga-Plate, the same or similar to the Plate carried by the 30-day charge customer. This appeals to the pride of the customer who prefers a charge account, but can make only partial monthly payments. There is very little obvious distinction between the two types of accounts as far as the Charga-Plate is concerned.
4. The flexible limit revolving credit plan enables the customer to increase the limit without Credit Department approval. The monthly payment increases or decreases according to the amount unpaid. This flexible feature is very convenient at peak buying periods such as Easter, Back-to-School and Christmas.
5. Revolving credit provides the means of converting slow 30-day charge customers to a charge account plan with budget payments.
6. It encourages the customer to purchase frequently up to the agreed limit, and provides a means of selling soft merchandise on a charge account plan with instalment account features.
7. Revolving credit offers a source of other income with the service charge. This service charge varies from one per cent to one and one-half per cent, usually based on the previous balance. This charge compensates somewhat for greater bad debt losses.

Many merchants have accepted the Plan enthusiastically. In fact, in Salt Lake, most of the major stores offer the revolving credit, and I am sure this is true of many of our neighboring cities, so the advantages I have mentioned are not new to most of you. I believe all of us realize the importance of close supervision, including careful credit investigation and aggressive collection follow-up. The flexible limit feature encourages more buying and sometimes it encourages buying beyond the customer's ability to pay. Increased sales and profits are desirable, but not at the expense of unreasonable credit losses, which can be minimized with proper care.

Revolving credit has grown and continues to grow, and the demand for simplification and flexibility of credit plans—the demand for an all purpose account has created the newest plan—The Option Charge Account Plan. This is a combination of the regular 30-day account and the revolving account, and is known by several different names such as the All Purpose Account, 30-Day Charge Account, with Option Terms, Option Charge Account, Charge Account with Option Terms and Revolving Charge Account. The Option Account eliminates the confusion of having too many credit plans and fills the need for an all purpose account. In enumerating the advantages of this Option Charge Account Plan, we will of course, repeat some of the advantages inherent in the regular revolving credit.

1. The Option Charge Account Plan reduces the number of credit plans. This eliminates the separate revolving credit. The Option Account is a combination of the 30-day account and the revolving account.
2. The customer decides the manner of payment. She may pay in full when billed, or elect to pay a portion of the balance. This amount varies among stores. Some require at least one-fourth of the balance owing, while others accept one-sixth as a suitable payment. Usually, the minimum payment is $5.00 or $10.00. The customer may pay in full one month and make a partial payment the next month.
3. It is not necessary to obtain Credit Department approval. The flexible nature of the Option Account is pleasing to the customer—as long as payments are made according to the agreed terms, the customer does not need to contact the Credit Office to increase or decrease payments.
4. Shopping is made easier at peak buying periods. The 30-day account may be converted to an instalment account without approval.
5. The Option Account eliminates the necessity of two different Charga-Plates. There is no obvious distinction between the 30-day paying customer and the instalment paying customer.
6. The Option Plan places all open accounts on a service charge added basis if not paid in full when billed. Because of the increased costs of administering this type of an account, the extra income helps considerably to defray this expense.

April 1 of 1958 we converted all of our 30-day accounts and revolving accounts to this Option Charge Account Plan. We adopted this plan only after careful consideration and study. We debated the advisability of arbitrary converting all 30-day accounts and revolving accounts to the Option Charge Account, but after corresponding with several stores using the plan, we decided it would be less confusing if all customers were on the same plan, and surely is would simplify the bookkeeping operation.

HAWAIIAN HOSPITALITY

I HAD HEARD of Hawaiian hospitality (and have had the pleasure of accepting that of our colleagues in Texas on occasion) but recently, it was a privilege of my wife, Elaine, and myself to have the experience. Alvin A. Smith, the Bureau Manager was out of the city but his able assistant, George Conniff, was one of the most hospitable hosts I have ever encountered and I had not met George before. We had gone to Hawaii to get away from everything that had to do with credit yet like a typical Bureau Manager I spent most of an afternoon at the Credit Bureau of Hawaii, which is a real traffic operation. I picked up two ideas from Mr. Conniff which I plan to use in St. Paul and my small-city Bureaus; his excellent Medical-Dental brochure, and an attractive box he uses in furnishing a complete package deal in selling memberships.

In turn, the one idea we left with George and his lovely Hawaiian supervisor, Vivian Lee, was that Honolulu could use a Newcomer Service similar to the one which Elaine has operated in St. Paul for four years. One of the most interesting nights on our vacation was his invitation to attend an office party, which is a regular monthly affair for those making a quota, which seemed like a wonderful idea. We all know that incentive plans pay results and the party idea seems like a good one, especially if you happen to be an honored guest. One of the Hawaiian girls had a birthday so George and I bought her a lei which he asked me to present. This was a great pleasure since, when putting a lei around a girl's neck, a kiss is a requirement.

The personnel from the Collection Department went to a Japanese restaurant and the personnel from the Reporting Department went to a Chinese restaurant. The nine-course Chinese dinner was strictly out of this world, although my attractive neighbor, Winnie Aikala, failed in her efforts to teach me how to eat with chop sticks. Following dinner, the two groups joined and watched an interesting Japanese floor show, and although, I do not know much about those things, I thought the "stripper" was pretty good.

The most interesting part about the Bureau was its personnel with its many different nationalities. Mr. Conniff said that of the 50 female employees, only eight were "haole" which is Hawaiian for "white." Just to show you how we (particularly in the Midwest) fail to measure up to the Hawaiian as hosts; although George did not meet us at the ship as he did not know me from any one of the other 750 people on the *Lurline*, when we arrived at the Halikalani Hotel, he had two beautiful leis for Elaine and a note to call upon our arrival. He drove us around the city, including the mountains overlooking the city and on another day drove us completely around the Island of Oahu. I can still taste the delicious pineapple picked right out of the fields.

Culminating our two-week visit, George took us to the airport early on Sunday morning and presented a carnation lei to Elaine, made up with 250 orchids, one of the most beautiful I have ever seen. I did not intend this article to be a travelogue but a tribute to the 50th state from a couple of "Mainlanders" and to tell the staff of the Credit Bureau of Hawaii that they are a fine crew and that we are glad that we can now call them "fellow countrymen." I am sure all of us would be much better and more hospitable Americans if we followed the example of our Hawaiian friends.—Bernard J. Duffy, *Executive Vice President*, Credit Bureau of St. Paul, St. Paul, Minnesota, *Past President*, Associated Credit Bureaus of America.

We first announced the plan in February by direct mail to all accounts, 30-day and revolving account customers. We used a positive approach, outlining the advantages to the customer and while we did mention the service charge on those electing to "pay on" the account, it was not over-emphasized. In addition to this direct mail announcement, all statements were "overprinted" for March and April, reminding the customer of the change-over as of April 1. We recognized that some customers would object, but we also recognized the difficulty of carrying two types of accounts in our Ledger. The customer eventually would understand that Z.C.M.I. had only two types of accounts—The Option Charge Account and the regular Instalment Account for "big ticket" items. To make this change required courage, and at the same time, understanding and the realization that it would take several months to educate our customers as to the importance of the account closing date if they wished to avoid the interest and service charge. To avoid this charge, the customer must pay in full 30 days from the closing date of the particular cycle.

One year has elapsed since we adopted the plan, and I can say we are satisfied with the results. While we have received complaints, an estimated 2,000, these complaints in the main were from customers who over the years had abused the 30-day account, knowing they could take 60, 90 and even 120 days without having to pay for the extra time. Of course, some resented the sudden realization that time is valuable and must be paid for. I do not mean we are taking the "hard boiled" attitude. Many complaints were answered with a letter from the President of our company. If the customer consistently pays in full each 30 days, yet on occasions, due to circumstances beyond a customer's control, such as being out of town, or enough time is not allowed for mailing the check and it arrives after the closing date of the cycle, we have and will continue to make adjustments when called to our attention. To eliminate some of these complaints, one store in this city automatically adjusts any service charge added to an account, if payment is received within 15 days after the interest period elapses. In other words, the customer is granted 45 days from the closing date of the cycle within which to pay in full and save the service charge. Under this plan, it is important that credits for returns of merchandise are issued promptly. Otherwise, it is possible to charge interest on merchandise which the customer does not have in her possession.

With all regular accounts bearing interest and service charges after 30 days, in order to be consistent, when we converted to the Option Charge Account Plan, we eliminated the 90-day Instalment Account Plan without interest, and also the 12-Months Furniture Contract without interest and the various "Club" Plans. Now all instalment contracts are on a cycle billing and interest and service charge is added each month at the time of billing.

I believe the Option Charge Account Plan is sound. It does require close collection follow-up to prevent over-buying and abnormal credit losses. More and more firms will adopt the Plan in the immediate future. It offers a challenge, yet this modern credit plan provides the needed stimulant to increased profits through additional sales and added interest and service charges. ★★★

CHARGE ACCOUNT BANKING

C. H. LANDRAIN

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***Immediate Past President,* Charge Account Bankers Association**

CHARGE ACCOUNT banking is a new service, so new that only as recently as 1950 did the first bank begin an operation of this type. At the present time there are approximately 110 banks in the United States which operate such a service.

This new credit technique had its inception in a script plan devised by John Biggins of the County Bank and Trust Company of Paterson, New Jersey, and the sales draft principal was originated by William Boyle, then of the Franklin National Bank of Franklin Square, Long Island, New York.

Charge account banking attracted much interest and investigation at the outset. This enthusiasm cooled considerably in banks and bankers who did not look before they leaped. This enthusiasm and curiosity was revived in the fall of 1958 with the entry of the Bank of America and the Chase Manhattan Bank of New York into a full scale charge account banking operation.

Charge account banking clearly presents banks an opportunity to provide a much needed additional service to an important segment of their customer group. Let us examine the areas of benefits that a successful charge account plan provides its member merchants.

1. *Sales have been increased.* Every member merchant or professional practitioner has access, on a charge account basis, to the business of all qualified charge account customers in his trading area. The customer can shop at will and buy on impulse, and they are spared the bother, embarrassment and loss of time of opening additional charge accounts. A bank charge account emblem in the window is an open invitation to all holders of bank cards to come in and make purchases.

2. *Accounts receivables have been converted into cash.* Not withstanding the increased credit sales volume, the member store remains on a cash basis. Money previously invested in accounts receivable can now be put into more productive areas. In many instances, cash discount earnings made possible by charge account banking have more than paid the entire cost of this system.

It has been repeated many times on financial statements of larger stores that accounts receivable were sometimes higher than inventory. Can we overlook what would happen to sales from a substantially wider and deeper stock?

3. *Credit operating costs have been reduced.* This complete, risk-free credit service has proved to be less costly to the merchant than any comparable service he might provide for himself.

4. *Accounts receivable losses have been eliminated.* While in today's economy this is a relatively small problem, every loss wipes out the profits on a considerable volume of sales and what about tomorrow?

5. *All of the retailer's time and effort can be concentrated on his most vital function—merchandising.* It goes without saying that no one can sell like the boss; but the boss cannot sell or give sales supervision or sales training when he is in the back room worrying over the accounts that are not paying.

6. *Elimination of competition on terms.* Bank charge plans by their nature, will stabilize credit terms in an area and merchandise can be sold on its merit and fair pricing. With this elimination of competition on terms, there will also be the elimination of wasted effort and duplicate cost by the elimination of all duplicate billings.

Outstanding among the benefits that charge account banking has brought banks is the close contact that they have been able to establish and maintain with the retailers of their community. As you may be thinking, this has resulted in a substantial increase in deposits and other business. Charge account banking has also served to bring banks into direct contact with thousands of charge account purchasers with similar beneficial results. The financial rewards yielded by the operation have been another source of satisfaction.

We are delighted to know that we have raised the credit granting standards in our communities and made it possible to obtain credit where credit was not previously available.

It is interesting to note that in a recent survey, the following reasons were given by customers for their loyalty to a bank charge plan: (1) Convenience, (2) Prestige, (3) Easy return on exchange of merchandise, and (4) Opportunity to take advantage of sales.

As was expected, convenience was the main reason for customer usage of their charge account. In an effort to identify this "convenience," the following areas were developed.

1. Having an itemized receipt for all purchases.

2. Being able to take advantage of sales (no need to say good-bye to a good buy).

3. Building up bank credit rating.

4. Use of credit at a variety of stores with one account.

5. The safety of needing to carry less cash.

6. Only one bill to pay at the end of the month.

Of surprisingly little weight was prestige. This rapid acceptance of charge account banking in the American market place necessitates that we examine its present volume, effect, and impact on the distribution scene.

On March 24, 1959, 32 of the pioneer banks in this field reported their Fourth Quarter 1958 Activity —volume was $13,507,100 in the quarter, up 10 per cent from the previous year's $12,281,000; outstandings of $12,785,300 were up 13 per cent from $11,280,300 in 1957, due in part to the growing use of revolving credit; the number of stores who are members of the plan stood at 12,179, up 12 per cent from the previous year; and credit-worthy family units for the same group of banks jumped almost 21 per cent, to 725,200 units.

While these figures are not staggering, when compared with the billions of dollars represented by the outstandings of bank credit portfolios, this is an impressive beginning; the entry of the Chase Manhattan Bank in New York alone has added over 5,000 retail outlets to those served by a bank charge account department.

The time is coming when interchange of credit cards will be established—this means when the holder of a northern bank credit card can shop in a southern bank's store and a customer from the south can shop in the northern bank's store, and each receive their monthly state-

ment from their own plan upon their return home.

Marketing specialists and trade associations have already found that charge account banking is an excellent means of promoting the sale of better quality and higher priced goods in their markets.

Last year the Optical Manufacturers Association, realizing that through a professionally acceptable credit plan the ophthalmic professions could become more successful in the battle for the consumer dollar, appropriated many thousands of dollars to publish a booklet, *The Key to Modern Financing in Vision Care*. This booklet was mailed to over 40,000 optometrists, opticians, and ophthalmologists in the United States. This industry, we hope, is going to adopt the slogan, "Charge a pair means better vision care." This I believe is a fine example of many forces pulling strongly together in the same direction.

Marketing representatives of manufacturers who pre-wrap their merchandise have told me that they can visualize the day when their package will have printed on it, "This merchandise can be charged to your bank charge account."

Volume predictions and market analyses are the stuff of which controversy is made. The controversy, unfortunately, consists more often of sound and fury than enlightenment. Perhaps these verbal pyrotechnics will soon be touched off by another source, but an accurate source. Can we overlook the value of the statistics of analysis of the volume of a charge account bank?

Shopping patterns can be accurately sketched, sales trends by class of merchandise and type of merchandise. The drawing power of an individual market area can be accurately measured. Newspapers are greatly interested in these figures and as they become aware of their existence, so will the research specialists.

This "Borrow by Check" theme had its beginning at the First National Bank of Boston. Variations of it have been introduced, with considerable public acceptance by such banks as the First National City Bank of New York, The First Pennsylvania Company of Philadelphia, and many Florida Banks.

Briefly, the basic plan operates like this. A short application form to which is attached a revolving loan agreement in place of the usual note form, is completed by the borrower and the credit is checked in much the same way as the usual consumer loan. Upon approval, a line of credit is established which is equal to 12 times the amount of the monthly payment. In order to make use of the credit, checks are provided which may be used in exactly the same manner as any other check.

When the customer issues a check, it finds its way to the consumer loan department through the usual check-clearing channels, and is often inspected to verify signature and endorsement; and after it has been ascertained that the available credit has not been exceeded, a loan is set up for the amount of the check or added to the loans created by prior checks. Monthly statements are mailed to customers. As payments are made, new credit is created.

It is strictly a loan account, representing a new approach to the financing of consumer needs and is not in any way to be considered a deposit account. You might ask what are the advantages to the customer in using this plan. Generally speaking, it provides convenience. Convenience to the extent that he does not have to go to the bank to refinance a loan or make a new one.

It lends a feeling of prestige to a customer to know he has a line of credit with his bank and greater still, it provides a feeling of security to know he can meet sudden emergencies without delay or red tape. As to the bank's advantages, only one application is necessary; there is no need for time consuming re-interviews, except when a borrower wishes to increase his line of credit. It also has the tendency to concentrate the borrower's borrowing in one place.

Each plan, bank charge account plan, checks on credit plan, has its particular appeal to the customer. *Each serves a distinct, not overlapping, need.* Charge account departments are to service Mrs. Shopper. Borrow-by-Check services are for Mr. Stand-by.

We in charge account banking look upon our opportunity as a challenge to the banking business. The need for it is obvious. It is the golden opportunity for service and profits. It is only too well known that banks have ignored such challenges in the past. Bankers who feel inclined to respond to this community need will find those of us who are trying to fill it ready to assist them in every way possible. ★★★

Col. Franklin Blackstone

March 31, 1874 **June 2, 1959**

ONE OF THE most important contributors to the success of the National Retail Credit Association during the past several decades and an indefatigable worker in all matters relating to the betterment of consumer credit and a beloved national figure, Col. Franklin Blackstone passed away suddenly at his home in Pittsburgh, Pennsylvania, June 2, 1959.

A native of Lawrence County, Pennsylvania, he was a graduate of Duff's Iron City College. After serving as a Sergeant in the Spanish-American War, he joined the Pennsylvania National Guard and rose to the rank of Colonel. During World War I, he served as a Major in the Infantry in the regular Army. He was a trustee of the North End Methodist Church and a former State and local President of the Sons of the American Revolution. Col. Blackstone was a member of Dallas Lodge, F. & A.M.; Pittsburgh Commandery, Knights Templar; Scottish Rite; and Syria Temple. He was a county commander of the Spanish War Veterans and a member of the Bellevue Post, American Legion.

He was a nationally known leader of patriotic groups who made a lifetime avocation of American history. He authored several books; his latest one *Bardiston—1775,* is an unusual tale of Revolutionary personalities. One of the vanishing breed of supreme patriots, he participated in virtually all patriotic ceremonies in Pittsburgh. He was the author and producer of a series of historical radio broadcasts "Drumbeats of American History." In 1955 he founded and had continuously worked as chairman of a national committee for the standardization of home run distances in major league baseball parks.

It was at the convention of the Retail Credit Men's National Association, as the N.R.C.A. was then known, in Cleveland, August 1917, that I first met him. It was my first national convention and also his! We have been closely associated ever since. At that time he was Credit Manager of Joseph Horne Company, Pittsburgh. It was at that meeting that he called the Pittsburgh delegation together with the view of organizing a local unit of the N.R.C.A. Soon after returning to Pittsburgh, the local association was organized and has for many years been one of our largest National units. The Association was the first to broadcast educational programs over the radio, largely through the initiative of Col. Blackstone, who participated in many of them.

The Detroit Convention in 1920, over which he presided, was an outstanding one in many ways. That meeting saw the beginning of group meetings then in the form of luncheons, which idea has expanded to the present three afternoons devoted to group sessions at our International Conferences. Throughout the years he has served on many important committees, appeared on numerous National programs, and has at all times worked tirelessly for the success of the N.R.C.A.

He is survived by his widow, Mrs. Zella Henry Blackstone, a son, Assistant United States Attorney, Franklin Blackstone, Jr., and a granddaughter. To Mrs. Blackstone, his son and other members of his family we extend our sincere sympathy on behalf of the officers, directors, members of the credit fraternity and the National Office staff.

L D Crowder

Revolving Credit Plans In Retailing

E. L. BURLAND

Assistant General Credit Manager, Southern Territory, Sears, Roebuck and Company
Atlanta, Georgia

THE USE OF consumer credit—paying for goods while using them—has had a remarkable growth in this country in a relatively short time. It has become indispensable to the American method of doing business. Credit selling today is an essential part of the retailer's business, accounting for large percentages of total sales. It is a necessary convenience to the customer and a vital factor in today's economy.

Fifty years ago, the position by most people regarding the use of instalment credit by consumers was one of flat condemnation. Later on, instalment credit moved into the stage of being merely suspect, rather than being condemned outright. There developed a grudging acknowledgment that instalment credit did have some advantages, but the general attitude was to exaggerate its disadvantages and to hold that every consumer should always save and pay cash. Early sales catalogs carried such statements as, "Don't buy on the credit plan." Consumer credit today, however, has moved into the stage of respectability. Its real advantages are coming to be more fully appreciated, and credit buying is encouraged by most retailers.

To the consumer, instalment payments are essentially savings applied to an improved standard of living for the saver and his family. No longer does the consumer think in terms of being "granted" credit. In truth, credit is the possession of the individual and, as a result, consumers expect credit plans to fit their needs and desires and are more selective in "spending" their credit.

Retailers for years have offered the consumer a variety of credit plans, devised for deferring payments on specific lines of goods. While many names have been attached to these plans by the merchant, they consisted basically of two (the instalment, or monthly payment, account and the 30-day charge account), until the advent of revolving credit.

Instalment credit referred to as an "easy payment plan," "time payment plan," "budget account," "club plan," "extended payment plan," among many others, generally requires a new agreement or contract at the time of each purchase between seller and purchaser, and is used primarily for the purchase of durable goods.

The charge account begins with a general contract between seller and purchaser by which the latter agrees to pay for purchases made during the previous month generally within 30 days of a billing date. Charge accounts have popularly been considered to be the convenient way to buy and used by those who do not necessarily require the use of credit or time to repay. Many, however, have misused the charge account privilege and extend payments over a long period of time, without additional cost. In many instances, failure to comply with the terms required is condoned by the merchant for fear of losing the good will of the customer. This quite naturally increases the cost of maintaining a credit business and could only result in increasing the cost of goods to all purchasers, whether credit or cash.

Tremendous Growth

While revolving credit has enjoyed tremendous growth and enthusiastic customer acceptance during the past ten years, contrary to the belief of many the original plan was conceived during the depression of the 30's. As a result of the depression the charge account customer, faced with reduced income and anxious to resume his purchasing power, was granted the privilege of extending payments over a three-month period. Wanamaker's, in 1938, became the first retailer to publicize this new credit service called "revolving credit." Under their plan, a credit limit was agreed upon at the time of application. The account was payable in four months, but additional purchases were permitted during the life of the account up to the original agreed-upon limit. Wanamaker's experience stimulated other retailers to offer similar facilities.

Initially, most retailers required that the customer agree to a fixed limit, based upon the amount of monthly payment the customer desired to pay. It was not until 1955 that the lack of flexibility provided the customer was recognized. The customers' needs fluctuate during any given year and from season to season. These limits, many times, were not in keeping with either the fluctuating needs or the customers' maximum credit capacity. This problem was solved by the further logical development of eliminating a rigid limit, and instead, the monthly payment was related to the balance outstanding.

Option to Repay

Today, revolving credit combines the convenience of a charge account with the advantage of an option to repay in monthly instalments. It also provides income to the merchant through the assessment of a service or carrying charge to those who elect to repay the debt in monthly instalments. The customer generally agrees to pay a certain amount each month, based upon the balance, ranging from one-sixth to one-twelfth of the balance owing at the time he is billed, with the option of paying for purchases in full at any time. Most retailers allow 30 days from the date of the first statement for payment in full without assessment of a service charge. The generally accepted procedure is to add a service charge based upon a beginning balance each month, which provides the customer the opportunity of paying within 30 days without additional cost. The expense of carrying on a credit business for the instalment customer is thus passed on to those choosing to repay over a period of months. The rate

of service charge on these accounts varies by merchant from one half to one and one half per cent of the balance. The latter seems to be more realistic and is the rate assessed by most.

Indebtedness Control

Most retailers set a limit or maximum for each account in an effort to control indebtedness in accordance with the customer's ability to pay. The customer may or may not be informed of the limit set. Some believe the limit factor to be an important tool in selling and, in fact, include an "open to buy" amount on each monthly statement; that is, if the limit is $100.00 and there are charges of $50.00 against the account, the customer is "open to buy" $50.00 in merchandise. Others feel that reminding the customer of the amount he is "open to buy" would be a detriment to sales and good will, in that the customer may not accept lightly a statement indicating that his credit qualifies him for only $50.00 more on his account. Further, the limit or maximum determined may be conservative and would tend to discourage further purchases in excess of an "open to buy." I am inclined to concur with the latter thinking and would choose to review an account at the time of purchase for the possibility of adjusting the limitation if circumstances warranted.

From a credit control standpoint and to provide the best customer service possible, it is best for the merchant to decide upon a floor approval limit, that is, an amount of sale which the salesperson without knowledge of the condition of the account can authorize for delivery to the customer, upon presentation of the necessary identification, without the necessity of contacting the credit department. This amount might vary from $10.00 to $25.00, depending upon the risk the merchant wishes to assume or even the time of year. It is sometimes best to authorize a greater amount during peak sales seasons of the year due to increased volume and need for improved service facilities.

The means of identification issued the customer and authorized purchasers varies from identification cards, which are the least expensive but have less sales appeal, to a plate of either plastic or metal. The use of a plate, of course, also provides the added advantage of being able to imprint the customer's name on saleschecks through the use of a simply operated imprinter generally placed in the vicinity of each cash register throughout the store. Properly written saleschecks are extremely important from an accounting and operating standpoint, as the name in which the account is carried must be clearly identified in each case for billing purposes.

Since many retailers now use "cycle billing," the beginning and end of calendar months is no longer an important factor. Accounts are arranged alphabetically and bills are rendered throughout the month on dates determined by the customer's name. Cycle billing is a decided advantage in "spreading out" the work of preparing and mailing monthly statements. The statement should include an itemization of all account activity during the month—sales, payments, credits and service charge (if any)—and the balance owing as of the billing date, which would be payable if it is intended to use the account like a 30-day charge account. The statement should also include the amount which would be due if the balance is to be paid in monthly instalments. This amount generally is a percentage of the balance owing at the time of billing, the percentage varying with the policy of the merchant. The amount of instalment may vary each month as the balance changes in accordance with a "flexible" feature which most retailers today offer.

Collection Ratios

It would be somewhat difficult to set a standard for, or even discuss in too much detail, collection or loss ratios which should result, due to the variances in credit and collection policies of the retailers. The individual merchant must set his own standards based upon the degree of leniency in credit and collection controls. If sound standards are not set, collection and loss ratios will, in turn, be unsound. Soundness can be found in the philosophy that "credit business should yield the same profit as does cash business."

There has been a tendency in some areas to assess a "delinquency charge" to charge accounts not paid in accordance with the agreement. This may be somewhat negative, with revolving credit being the positive approach and the answer to both the consumer's and merchant's needs.

While it is not an absolute necessity, the economically operated revolving credit installation is to a great extent mechanical. Statements can be addressed and billed by machine and account media can be listed and sorted in one mechanical operation. While mechanically operated, however, the revolving credit installation is to the customer a highly personalized service—one which provides him with the facilities for easier shopping, an up-to-date monthly statement of his account, and an optional plan for repayment which can be decided upon each month when his statement is received. The words "you decide how you wish to pay each month" are a valuable asset.

Modern Way to Buy

More and more consumers are accepting revolving credit as the most convenient and "modern" way to buy. The impulse buyer, who cannot or will not pay for purchases within 30 days and who does not desire the instalment or time payment type of account, is accepting revolving credit because it is the easy way to shop and the manner of repayment is optional. While revolving credit plans are, in effect, a form of instalment credit, it is essentially considered a "short term" account for applicants who are characteristically 30-day charge customers with a limited capacity to pay large and fluctuating balances in one month.

Revolving credit is believed by many to be the type of credit plan which would be affected least by changing economic conditions, since it is an optional plan for repayment which best suits the consumer's fluctuating purchasing power in times of need and a plan for budgeting payments based upon an amount owing rather than being faced with the necessity of repaying larger amounts in shorter periods of time before further credit purchases can be made.

It is interesting to note that, according to information reported by the Credit Management Division of the National Retail Merchants Association, revolving credit sales in 1957 represented over 20 per cent of the total nationally. Also of interest is an analysis of the distribution of accounts receivable, by type of account, comparing 1957 with 1951: Charge accounts represented 62.51 per cent of the total receivables in 1951 and 46.51 per cent in 1957; instalment accounts represented 21.68 per cent of the total in 1951 and 19.52 per cent in 1957; revolving credit represented only 13.69 per cent of receivables in 1951 and 31.87 per cent in 1957. This would reveal that revolving credit is what today's consumer wants and likes. It is here to stay. ★★★

The Business Outlook

PAUL M. MILLIANS

***Vice President,* Commercial Credit Company**

Baltimore, Maryland

AS MANAGERS of credit sales we must be constant readers and constant students of broad events and trends: the shelling of Quemoy, the sober fact of possible use of force as an instrument of foreign policy, repercussions on the federal budget, economic behavior, the responsibility of business in doing what it can to keep the economy moving at a high level, need for a political climate favorable to business in Washington, or in Sacramento. In business we cannot be oblivious to these and other things close to our daily operations. They shape the future as they shape our talk pattern for today.

Aware of the perils of prediction, I will feel better as we go along if I make a qualification now. I am no professional economist. What we offer is the best we have been able to assemble in Baltimore, gathered in from contacts with many industries and from reports of "professionals" we employ in Commercial Credit Company to help with our own forward thinking.

If some of our conclusions are not too positive, remember please that thoughtful and respected economists are not in complete agreement about the future. Forty-seven economists handed a Congressional Committee a confusing array of opinions—700 pages of them—about the future, no doubt inspiring a not too serious forecast heard in Detroit, "By fall business will be better or worse probably." But, we in business must attempt to measure tomorrow and all that we do today has a future consideration.

Today we shall try to see the future, with the qualifications we have made. Should Russia quit talking "fight" all bets on the business outlook are, of course, off. With war of any major size, the economy would again be stimulated to unnatural growth. The economic consequences would be heavy and far-reaching. But of all the world happenings of 1958, the most important event is the thing that did not happen. We have gone through another year without finding ourselves at war and it looks like neither Russia nor China want to go to war—not yet anyway.

Field Marshal Montgomery in his memoirs says, "The next ten years will not involve a big war." However, all the straws in the wind that are flying around indicate that "cold war" is something else entirely. International tensions will probably keep on blowing hot and cold for years. Russia apparently does not want anything but turmoil and ferment as peace and prosperity would destroy the communist regime.

Short of the energizing force, the unnatural stimulant of a new war, we suggest the optimistic view going ahead. We have had a startling economic growth in our post-World War II economy, real growth, not in measures of inflation and blown-up dollars. Measured in 1958 inflated dollars, gross national product, national income, personal income—important measures of growth—are all nearly four times those of 1949.

Fifteen million more people are at work. Liquid assets now held by individuals are over $300 billion: that is, bank deposits, government bonds, savings and loan deposits. This does not include common stocks held by individuals.

A Good Economy

We have a good economy under us, and from where we are now, 1959 looks like this: Business indicators that have shown a predominance of plus signs from the 1958 recession lows should continue to move up. *Time*, February 16, 1959, reported, "Key industries show a picture of recovery (from 1958 recession lows) marching forward, solid and continuing." Prudential Insurance Company, whose forecasts have been 98.4 per cent accurate for seven years, expects our 1959 economy to ring up a gross national product of $475 billion, beating 1958 by $35 billion, and expects consumer spending to be up $16 billion to a grand total of $307 billion. Capital spending will increase and government spending will continue its inexorable rise.

Countering this, the outstanding feature of forecasts being made in most industries is that they do not point to new highs. George Shea, *Wall Street Journal*, wrote that, "The picture as a whole is that of an economic system which for the fourth or fifth year in succession is going to show no growth."

Somewhere in between these will be the 1959 answer. As a general observation, keeping in mind that all general observations are "generally" wrong, some will be above, some below. The cheeriest outlook is that business will not immediately go much beyond present levels.

Of greater cheer is the longer view. The expansive power of our economy makes the process of growth irregular. In the advancing future, single months and years might turn in results above or way below an averaged growth line. But America will continue to grow. Our economy is taking a rest before surging ahead again. Even the 47 economists mentioned earlier agree on this. In times of a recession, of a slowdown, we are likely to forget that along with exhilarating booms and a few frustrating busts, for 200 years the American economy has been in a steady, upward climb.

Fortune predicted in 1958 that the next 25 years will be the "Golden Age of Three Per Cent." For nearly a century, production in the United States has been increasing at an average of two per cent a year. *Fortune* predicts this will increase to three per cent. The acceleration of growth provided by this one percentage point, compounded annually, will produce the biggest economic advance of any 25 years in the nation's history. This is by no means a fanciful possibility. Dr. Philip Hauser, Head of Population Research Center, University of Chicago, said, "Over the next 20 years or so, the prospect is definitely for rapid population growth that will be a terrific spur to business." Howard Ford, DuPont Research Director, said, "We are justified in assuming that the year of 2000 will find our grandchildren looking back with pity because of what they will regard as the low-level, hard, primi-

tive life we lead today." Bob Hope had this prediction for 1987. He said, "We'll all be working much shorter hours, have more time for fun. This may be bad. We'll have a six-day weekend and one day to recover from it."

We can make one more cheery prediction as we try to see the future. The old shadow over the future is the memory of the vast disaster of the 1930's. We have not whipped the business cycle. As we said, the expansive power of our economy makes business movements irregular. But for those who see the old shadow of 1929 hanging over the future—conditions simply do not exist today for the return of the gentle insanity that swept the market place at that time. There is today no speculative madness in stocks. With present margin requirements, speculation is severely limited. With bank deposits guaranteed and with other credit safeguards, runs on banks, forced liquidations, each a center of disorder from which other disorders spread, will not happen. We would have to be unbelievably incompetent as a nation to permit another 1929.

Brilliant Longer View

So much for economic behavior. We have predicted a fairly bright 1959 and a brilliant longer view. But before moving on to something else, may I add a postscript to conditions immediately ahead? In few industries, if in any, will immediate production engage in full capacity. In our free-market economy, this means that competition in most lines will be intense, profit will be more of an individual thing, the race for success will be a little harder. For a while, anyway, business should adjust its thinking to a somewhat slower rate of over-all growth than that of "The Ten Amazing Years, 1947-1957," years of surging vitality, an unusually strong period of unusually strong demand due to a postwar catching-up economy and to a rapid expansion of population and of human requirements.

With this in prospect, you may find comfort as we did in this thought—a bit of philosophy I ran across reading *Management Briefs,* published by Rogers, Slade and Hill, Management Engineers, "Any period of tough going is, in its very nature, a hardener and strengthener for those blessed with vigorous constitutions. Sound corporations, like healthy men and women, cannot only endure but profit by an occasional hard workout on short rations." We are not predicting particularly tough going for vigorous corporations but we are in a period where a run-down business can easily wind up.

Two more considerations important to any calculation of the future are "industrial statesmanship" and "political statesmanship." Industrial statesmanship is a comparatively new and fancy word. Its practical definition is: industrial and ethical leadership in business; for business everywhere to do all it can to strengthen the economy, to keep the economy moving at a high level. The importance of this is clear. Government can help, but trade and commerce are the central force of our whole society. A bright, prosperous future will depend upon the objectives, the vitality and the abilities of managers of business. Here are a few suggestions. You will think of others.

Exercise greater wisdom in planning. Skillful forecasting will avoid excessive spending on producing and merchandising facilities ahead of sales expectations. When an industry is overproduced or a store overinventoried, prices weaken; people limit buying in anticipation of lower prices; the infection spreads; down, down, the economy goes. Business generally seems to be doing a good job on this. One of the legacies of the past depression is a good amount of economic wisdom in business. Some companies have repeatedly anticipated trends far more accurately than major prophets of old. This is a fact of strength, as we look ahead. There will be some mistakes, of course, because markets are difficult to calculate and management is easy to hope.

New Products, New Features

Find new and better ways to market. New products, new features, new styles, that make people dissatisfied with the old, will be developed. As upward-reaching Americans buy, industry spins. Some who have not gone to school in merchandising decry the constant seeking by business for new and better products and view the consumer as a mouse at the mercy of men who "make better mouse traps." How wrong can people be? Our economy grows on obsolescence. King Gustav of Sweden said, "I have often wondered what made America so successful. Now I know. You make people want things before they need them."

Continue invention and change in business. Still, great areas for invention exist. Change does not cease. There is no place in business where we can stand and say, "This is where we are." Practical research for new products and new features has enormous future implications.

Central to a lot of antirecession discussions last year were ways to induce people to buy, to keep the economy moving. This is an important future consideration. Better values all around, now when so many are paying so much for so little, will induce people to spend not only out of current income, but to dig into savings.

Good advertising and promotion are needed, but persuasive advertising, not just pretty pictures and sultry adjectives. Merle Thorpe recently wrote, "All around us people are living less well than they might because no one has made them want better things of life." We certainly cannot leave out good credit and sales promotion. *Fortune* some time ago called consumer credit, "the most persuasive element in marketing." Both advertising and credit, however, are under sharp indictment. In one of the several recent attacks on "Madison Avenue," a charge is made that "advertising and the itchy urge to buy now and pay later are, together, forcing a fantastically false way of life." Again, how wrong can people be? Advertising needs no defense. Without the forced distribution advertising gives, all business would sink to some permanently lower level.

Excessive Spenders

As you know, and I know, not many American families can be forced into debt. Contrary to what some vested sarcasm would have the public believe, not many people are overly excessive spenders and apostles of full use of their credit resources. Besides, modern retail credit management is dedicated to making credit a constructive force in family welfare, not a burden.

Under our general heading of inducements to buy, certainly the strength, the warmth, the conviction of personal salesmanship of a high order is perhaps the most neglected area in American marketing today. Attentive selling, little day-to-day courtesies and thoughtful good will should be found in all customer relations. It is not just facts and figures that send business our way. People personalize a business, endow it with attributes of people. Searching our own experience we know that indifference, impatient sales

people, wry smiles coming from behind counters where we turn to buy can each destroy not only business but customers for all time. People stay away from business when they are physically ill, and it would be profitable, saleswise, if they stayed away when they are indisposed emotionally; a head full of venom can be worse than a head full of virus.

We said industrial statesmanship means ethical leadership. "The Golden Rule," honesty and fair dealing, is chiefly important to a man's soul. Herbert Spencer described it as "doing the right thing with a simple feeling of satisfaction in doing it." But for the longer pull, it is also profitable. The *Harvard Business Review* said, "You can't live in a non-ethical business environment Monday through Friday and then live your ethics and your morality and your religion at other times." Both Socrates and Benjamin Franklin said, "Honesty is the best policy." Where business capital is dedicated to future profit and growth, it is still the "best policy."

Somewhere in my reading I ran across an article entitled, "The Age of the Goof-Off or of Plenty." In the "goof-off" part, the article said that "our land is populated by laundrymen who won't iron shirts; by waiters who won't serve; with carpenters who will come around some day, maybe; and with salesmen who won't sell." This is true to a considerable extent. The pursuit of excellence on the part of many workers at all levels has certainly suffered. We have gotten a little soft. Someone has said, "What this country needs is a medium-price lawnmower that can be operated from an air-conditioned room." For greater strength in the economy, we need a return to the pursuit of excellence, less laziness and unthoroughness. Every worker, in his own intelligent self-interest, should be encouraged to go along.

We named "political statesmanship" as important to our calculations of the future. It *is* the future. Statesmen are men in government who believe without any doubt that our uniquely high and relatively mature level of advancement in this country is the result of social and economic freedom. Where do we get such statesmen? David Lloyd-George once said, "Before you can be a statesman you have to be elected."

In the competition of ideas between historic Adam Smith supply-demand economics and our drifts toward the managed economy of socialism, there have been many changes in our economy in recent years. Let us frequently pray, however, that the future voting population of the country will have sufficient information and intelligence to support men in government who will keep changes within the framework of freedom and democracy. If I could leave only one thought here today on "The Outlook" it would be this: We all have a responsibility to help educate the public away from economic ignorance and popular passions that threaten our future.

We have said trade and commerce are the central force of our whole society. We have said government can help. But the best way to promote a prosperous future and still higher living standards for all our people is through policies that promote maximum business profit and growth. Progress requires profits. Barbara Ward, competent British observer, in a recent article, "A Fresh Look at the Profit Motive," reported a growing readiness among socialists in Europe to admit various roles which profit plays in any enterprise. Maximum profit means maximum expansion of productivity. There can be no sustained productivity without profit. Galbraith in his best seller, *The Affluent Society*, said productivity is the key to our high and rising standards of living. And certainly men in government should know that government gets more out of business profits than anybody else.

Tax Reforms

This suggests reforms in corporate tax and personal tax and in ways to provide greater incentives for profit for those capable of producing great profit. This would make the future even brighter. Business managers, and individuals work because of a sense of achievement work gives; but excessive, inequitable taxation can ultimately lead to lethargy and stagnation. Someone said, "If Patrick Henry thought taxation without representation was bad, he should see it *with* representation."

A prosperous future needs programs of government that will put no intolerable new pressures on the already hard-pressed dollar. In recent years inflation has been chronic rather than an acute disease, nibbling at the dollar's buying power, though sizeable nibbles. If we let this disease become acute, it will leave a future of wrecked lives and wealth. If it does happen, there will be a sorry America in the future.

This concluding thought is something close to retail credit management and close to our theme of the future. Inflation is the dominant future consideration of our time. Not one of us here would oppose anything that could limit inflationary pressures. However, until there is better proof that consumer credit, notably consumer instalment credit, is an inflationary force of some size, mounting new demands for direct federal control of credit should be opposed. No one loves a fact man. We have no facts here, nor are they needed. You are familiar with extensive figures which show that consumer credit, when related to the entire economy, is now of small inflationary significance. The over-all influence of consumer credit on inflation is the spread between new instalment debts and the repayment of old debts, and at the present time this is almost in balance.

Regulated Credit

Consumer credit is *not* unregulated. In total, the expansion of consumer credit is limited by variation in the abilities and the willingness of borrowers and buyers on time to utilize credit. On individual transactions, retail credit management in the past in any sector of the business cycle has shown itself collectively capable of deciding to whom credit should be extended, for how long, and in what amount. And as long as individual transactions are sound, no total can be unsound. Size is merely a matter of multiplication. Then there is the regulator of self-interest. Credit management is not a hungry predator on the prowl for unsound credit. Credit management wants its money back.

If the economy is to grow, consumers must be left alone to go into debt. Consumer credit must be free to expand, for unless this is so there will be less production and distribution. Any unwarranted restriction of consumer credit by government now would hinder and harm retail credit sales development, which in an important degree determines the nation's economic health.

In a recent issue, *Life* suggested, "Sound and bold free enterprise economics are the best politics in the long run." Based on its record, consumer credit is one area where we can amply give our bold free enterprise a chance.

What is the outlook for 1959? We did some research and our guess is, "A fairly bright 1959 and a brilliant longer view." ★★★

The Consumer's Splurge

P. S. HUNT

***Credit Manager,* Belk-Robinson Company**
Charleston, South Carolina

WE HAVE ALL, at one time or another, used the word *splurge* in our everyday conversation. Some of us may be guilty of the actual act itself; that is, over-obligating ourselves in what we buy and the physical dollars we have to meet current bills promptly. What does Webster say about the word and how does he define it? He defines it as "A showy demonstration or effort." What impelling force is there which causes the individual to splurge? What motivates a person to run up a large bill or a series of small bills, knowing full well that when the time arrives for settlement of these accounts the money needed to pay them won't be there. The Credit Manager's problem deals more with the result than with the cause in such situations.

Recently an article appeared in a national magazine which sheds some light on this matter. In general the meaning was this. The temptation is always present for the customer to "over-buy" and for the merchant to "over-sell." This is due to the great productive power of this country added to the incentive of the merchant's desire to sell merchandise. Neither of these acts are to the advantage of the buyer or the seller. Anyone heavily in debt is not at their best as a credit risk or as an employee. At the same time the merchant has sold merchandise for which he cannot collect in accordance with his normal procedure. This puts the merchant in a position of increased expense in accounts receivable which could lead to higher prices to the consumer and cause a great disadvantage to everyone.

It is my desire to talk to you along the lines of Credit Fundamentals and to suggest the necessary points from the Credit Manager's viewpoint in an attempt to reduce situations such as stated above. There are four points which should be followed to insure the proper extension of credit and the necessary collection procedure.

1. Secure a complete credit application.
2. Require complete investigation on each applicant and extend credit to only those which are entitled to it.
3. On big list items with months to pay, require adequate down payment and extend terms not to exceed store policy.
4. Organize and maintain a vigorous follow-up on all accounts which become past due.

What steps do you use in obtaining a credit investigation? Do you handle it yourself by calling the references given by the applicant or do you use the *best* method known to credit granters by working *with* and *through* your local Credit Bureau? Doesn't it appear natural that the applicant will give you only those accounts as reference which are paid promptly and as agreed, making absolutely no mention of the accounts which have been neglected or possibly in the hands of a collection agency?

What constitutes a credit record and how do you use it in granting credit? The first is obvious—prompt payment of obligations and keeping all promises made. If bills are paid promptly a credit rating will naturally be A-1. If paid slowly, they will not register so favorably with the prospective credit granter.

The second factor that influences a credit rating is good character. If the applicant is of good character and conservative, he is not likely to purchase those things for which he cannot pay. The person who is arrested for drunken driving or writing checks with insufficient funds in the bank leaves much to be desired on the character side.

The third factor which has a definite bearing on a credit rating is budgeted income. There are cases when a person with a high income is not as desirable a credit risk as one with a lower salary, because the high income earner may be over-extending himself. Living within available means bears directly on a credit rating.

Job stability is the fourth credit factor. The person who can hold a position over a long period of time gives evidence of stability. The person who changes jobs frequently without bettering himself falls into the other category.

The fifth factor is the ability to save. The individual who has a regular savings plan, whether it be government bonds, real estate, or savings account is establishing a net worth which is important in respect to a good credit standing.

The conscientious person, responsible to his community and to his home town, will give you very little concern. Recognizing the position of the Credit Manager they accept your credit policy without question.

How many of you have experienced this situation. "I'm the personal friend of the Manager. There is an item I must carry with me. I don't have time to give you any information. My name is Joe Brown and I live at 200 Main Street." If you took the time, which you should, to check this party you would probably find that he really is the friend of the Manager, that he really does live at 200 Main Street, but beyond that you would find a list of unpaid accounts that would astound you to no end.

As a credit granter for your firm, management expects and must have all of your ability and experience to secure increased sales through the proper administration of credit. If you let down for one instance you will be costing your firm money and profits. Analyze your applications carefully and fairly, without prejudiced or biased opinion. Be honest and just and render your decisions based on sound business reasoning.

Not so long ago a cartoon appeared depicting a well-dressed woman seated in a chair by a Credit Manager's desk, with this caption, "I have such a hard time paying for what I buy, I want to open a charge account." It happens every day. This same woman may possibly tell the credit executive "Don't mail a statement each month to my home—I'm in your store constantly and I can pick my bill up at your desk." Could this request possibly mean she does not want her husband to know that she is buying on credit at your store? I leave the answer in your hands.

There are all types of "gimmicks" and "fads" today trying to get the customers in the stores. "Clip and Mail" —"Nothing to Buy"—"Complete in 25 Words or Less" —"No Down Payment" and many others too numerous to mention—all towards the same goal—"Increased

Sales." There is absolutely nothing wrong with programs of this nature if properly conducted and properly supervised. Sales promotions are vital and necessary in any progressive business. The main thing behind such a program is an "idea."

The credit executive can apply the same principle; the use of ideas. I cannot say what idea would or would not be good for your particular business. What I do recommend is this. Try one, if it fails, try another. Keep trying and you will find one or more will prove profitable.

The applicant is aware that the account is to be paid, there is no question on this point. If you want to make a lasting impression on your applicant, immediately convey the "idea" that you are deeply interested in his or her reason for coming to you for a charge account. Take the time to learn something about the individual. Put them at ease; carry on a conversation with them; gain their deserving confidence and you will be amazed at what they will tell you. Be explicit in what you expect *of* them and what a charge account in your store will mean *to* them. A properly conducted interview will promote a better understanding between the charge customer and your store. In the majority of cases this is the first contact—favorable or unfavorable—it will be a lasting one.

The fourth point, organize and maintain a vigorous follow-up on all accounts which become past due. Many of you have probably asked yourselves at one time or another, "What can I do to reduce credit mark downs each year." First of all—I can assure you that there is no "Secret Formula" in credit collections.

We are all familiar with the saying, "Get there fustest with the mostest." This could very well be true in collections. The more contacts you have with your past-due accounts the possibility of full collection is greater. Ninety nine per cent of your charge customers will pay their obligations. It is the one per cent that creates the problems.

The best collection procedure starts with the original application. Full knowledge of the potential charge customer at the beginning is a "must," length of employment, type of work, responsibility on the job, fixed assets—such as home owner. The name of a near relative not in the same household in case the account becomes a skip at a later date. All these points are important. They may not appear important at first but when a "skip" case is called to your attention you will find yourself at an advantage if you have these points well covered and at a great disadvantage without them. Analyze each application carefully—be sure you have the answers beforehand. Now do not misunderstand me. There are few, if any, gifted with a "sixth" sense to foresee what will occur on each account in your files. What I am trying to convey to you is that whatever preventive measures you have at your disposal will be of great value to you at a later date.

As a Credit Manager it is your duty to voice yourself for the welfare of your charge customers as well as for management. Management has delegated you as a liaison between his business and the charge customer. Use this to the betterment of both. Set your sights high and aim for a goal which appears just beyond your reach. Display your responsibility to management at every opportunity and help guide your firm on a sound financial basis.

Do your job with all your ability; be conscientious, fair, courteous—and have a love for your fellowman. Your responsibilities will be made easier and your customers better satisfied. ★★★

CREDIT DEPARTMENT *Letters*

LEONARD BERRY

SUCCESSFUL letters are well-organized . . . planned, engineered to bring the reader, logically and smoothly, to acceptance of the purpose of the letter.

Think of the letter as a *bridge* . . . carrying ideas from your mind to your reader's. Most bridges have two main supports and a center span. The supports hold up the bridge; enable you to get on and off. The center span is the principal part; the *reason* for the bridge.

So with business letters—there are three parts, the opening, message and ending. The *message* is the *reason* for the letter. The *opening* gets the reader to listen to you and the *ending* tells him what to do . . . they *support* the message.

The opening. The first sentence is where you *attract favorable attention* . . . by the YOU approach. Start with a YOU or YOUR idea. It helps if you actually use the personal pronouns, but in any case, slant the opening to something of interest to the reader. If you think sincerely in such terms you are bound to come up with a YOU idea.

Do not waste the opening on trivialities. It is not necessary, for instance, in most cases, to rehash all that was said in the letter you are answering. The reader usually knows well enough what he said!

Avoid those weak INGs . . . *Replying* . . . *Answering* . . . *Referring* . . . *Concerning*.

The Message. Here is where you make the investment in the cost of the letter pay off! This is the *reason* for the letter . . . *the center span*.

Emphasize ideas by proportion and position . . . *de-emphasize* in the same way.

If giving "good news" such as; accepting an application for credit or making a favorable adjustment, play up the decision. For these YES letters use the *deductive* order—state the conclusion and support with details. Conversely, if giving "bad news" or NO letters, declining an application or refusing an adjustment, use the *inductive* order—start with details and give the conclusion last.

Start with ideas of interest to the *reader* and finish with ideas of interest to the writer. Create an affirmative response in the reader's mind by getting agreement on *minor* points and agreement will more easily come on *major* issues. Remember the old song? "Accentuate the positive—Eliminate the negative."

The Ending. This is the *order blank* . . . action! Here you tell the reader what action you require. The emphasis switches now from YOU to WE. *We* want something done. Again, avoid those weak INGs. *Hoping, Trusting.* Be positive. Show the road clearly marked. If no specific action is required, end your letter with a warm expression of good will.

Let us put this matter of letter planning in another way. ZONE YOUR LETTER.

Zone 1. Attract favorable attention by appealing to something in the reader's interest. YOU approach.

Zone 2. Create interest in the idea, product or service by appealing to emotion and desire.

Zone 3. Convince the reader of the soundness of the idea by giving facts and figures—"reasons why."

Zone 4. Stimulate action by positive suggestion. Say what should be done, and, if necessary, how and when it is to be done.

YOU MUST:

1. Decide, as far as possible, just who will read this letter. Then write to *that person*. *Write* just as you would *talk*.
2. Have a clear idea of *what* you are going to say . . . get all the facts.
3. Decide whether what you are going to say will be considered "good" news or "bad" news. Play up the *good* . . . play down the *bad*.
4. Decide what you want the reader to do.
5. Visualize the letter as it will look when written.
6. Ask yourself if what you are about to say will improve or hurt the firm's public relations . . . that is, make friends or enemies. If the latter, is there any way the letter can be improved or . . . must it be written at all? Often tearing up a "bad news" letter before it can be mailed turns out to be a good investment in friendship.

This Month's Illustrations →

It is a special satisfaction for us to have credit department letters from stores and firms in Hawaii to share with you this month. We express our sincere appreciation to Alvin A. Smith, Manager, Credit Bureau of Hawaii, for his effort in assembling these letters for us. Thank you, Mr. Smith.

Illustration No. 1. Here is a collection letter from Honolulu's outstanding department store, *Liberty House*. This surely is a delicate collection stiuation, asking a customer to refrain from further credit purchases until the past-due account is paid, but this letter handles it skillfully and thoughtfully.

Illustration No. 2. Also from the *Liberty House*, this letter promotes use of the store's Revolving Budget Account. It is sound procedure in credit sales promotion to link the credit appeal with specific merchandise events. This letter does just that. People nowadays are definitely budget-minded and the offer of extended payment arrangements is essential to the success of a big merchandise event.

Illustration No. 3. We are often asked by members for a letter which warns a debtor of the impending addition of a service charge on a past-due monthly charge account. Here is such a letter. It is sent to us by the A&B Commercial Company. The wording is diplomatic and the "service" attitude shines throughout.

Illustration No. 4. Paid-up credit account customers are always good prospects for more sales and besides, it makes a debtor feel good to have his prompt payment appreciated. Here is an excellent letter, sent by the Security Diamond Company. People everywhere, apparently, ***like to carry credit cards!***

Liberty House

P. O. BOX 2690
HONOLULU 3, HAWAII

1

Dear Mrs. Customer:

Making friends and keeping them are two of our most important aims. We want to be sure, no matter what the occasion, that nothing occurs to disturb this very pleasant relationship.

Therefore, we shall appreciate it if you will come in within the next few days to the Credit Office in our downtown store, or phone 56921, to discuss the status of your account, if you are not in a position to place it in a current condition now.

In the meantime, we feel confident you will cooperate by not making further purchases on a charge basis until this balance has been paid in full and arrangements for another account completed.

Very truly yours,

LIBERTY HOUSE

Robert F. Payne
Credit Manager

Liberty House

P. O. BOX 2690
HONOLULU 3, HAWAII

2

Dear Mrs. Customer:

In just a few short weeks, Liberty House will again be bringing you its month-long presentation of outstanding values during the annual August Anniversary Sale.

This event, looked forward to by Honolulu shoppers each year, is a period when the terms of our regular 30 day account just do not seem to fit the needs of many of us.

As the best solution to this problem, we suggest use of our Revolving Budget Account and enclose a pamphlet which describes its many convenient features.

We feel that the Revolving Budget Account is an ideal credit arrangement because of the flexibility it offers. You may pay in full every 30 days just as you do now (with no service charge) or you may spread your payments over 3, 6, or up to 12 months to cover peak purchasing periods thus enabling you to take better advantage of special prices such as those offered during the August Sale.

Should you be interested in obtaining more information or in transferring your present balance to this more convenient account, please phone us at 56921. We will be most happy to accommodate you.

Very truly yours,

THE LIBERTY HOUSE

Robert F. Payne
Credit Manager

A&B COMMERCIAL COMPANY

KAHULUI, MAUI, HAWAII

Our Agents:
ALEXANDER & BALDWIN LTD.
HONOLULU
SAN FRANCISCO
SEATTLE

3

Doubtless, you have overlooked your account with us because it now shows a balance that is more than 60 days past due. Because of the cost of carrying past-due balances, we have found it necessary to add a portion of this expense to balances which are more than 60 days overdue. We always notify our customers when their balances reach this condition and give them an opportunity to bring their accounts up to date before the service charge is made.

Your total balance with us as of the last billing date is $__________ of which $__________ is more than 60 days past due. If the past-due balance is paid before the next billing date, you will avoid payment of the service charge which will be $__________

If you have made payment on this account since the last billing date, please disregard this letter and accept our sincere thanks. If you have any questions about your account, please call me at 7551. Most credit problems are easily solved and I should like to be of help to you.

Yours very truly,

HONOLULU'S LEADING CREDIT JEWELERS

CORNER FORT AND KING

Security DIAMOND CO.

...NRAD, Vice-Pres. MAX CORNFELDT, Pres.

May 16, 1959

4

Mr. Juan Kealoha
3926 Kamehameha Lane
Honolulu, Hawaii

Dear Mr. Kealoha:

You certainly deserve a Special letter of thanks for the splendid way you have taken care of your account.

We want you to know that your fine record does not go unnoticed. On the contrary, it is very much appreciated.

We sincerely hope that in the near future you will come back and visit us and see our selection of new merchandise. If at any time, we can be of any further assistance to you in any way, we will be happy to do so.

Enclosed is your Credit Card from our Company which bears an A-1 rating. Feel free to use it at your convenience.

Cordially yours,

SECURITY DIAMOND COMPANY

M. D. Brown/tm

CREDIT SUPERVISOR

1002 FORT STREET • HONOLULU 13, HAWAII

CREDIT FLASHES

Annual Meeting in Wisconsin

The twenty-fifth annual conference of the Wisconsin Retail Credit Association was held at Manitowoc, Wisconsin, on May 16, 17, and 18, 1959. The Associated Credit Bureaus of Wisconsin and the Wisconsin Collectors' Association met during the same conference, part of the time in joint session.

The Wisconsin Association was organized in 1934 at Madison, Wisconsin, with less than 50 members. Currently it has a membership of nearly 1,000, the majority of which are also National members. Fred Krieger, manager of the Credit Bureau of Milwaukee, who was the group's first secretary-treasurer, was honored for his 25 years of loyal service. He was presented with a stereo hi-fi record player, suitably inscribed with a silver plate, as a memento of the Association. August Wehl, the retired Credit Manager of Gimbel's of Milwaukee, made the presentation speech and delighted the audience with anecodoes about Fred and the early experiences of the Association.

New officers elected for the coming year were: President, Clarence Lax, Manitowoc; First Vice President, Lyle Kamroth, Milwaukee; Second Vice President, W. W. Beard, Green Bay; and Secretary-Treasurer, Norman B. Critser, Madison.

Annual Meeting at McKeesport

At the 30th annual meeting of the Retail Credit Men's Association of McKeesport, McKeesport, Pennsylvania, William E. Warren of the instalment loan department of the Western Pennsylvania National Bank was installed as president. The meeting was held at the Ben Gross Restaurant, May 6, 1959, with an attendance of 189. Robert C. Conlogue of Cox's was re-elected Vice President and Edward A. McDermott was re-elected Secretary-Treasurer. Mr. McDermott was recently made an honorary life member of the National Retail Credit Association. Shown in the picture below is Mr. Warren receiving congratulations from L. S. Crowder, right, General Manager-Treasurer, N.R.C.A., following his election. Edward A. McDermott, left, looks on. Carl L. Bigler was toastmaster at the affair, and Ray Shook, retiring president of the local association, presided.

The N.R.C.A. congratulates the Retail Credit Men's Association of McKeesport for their many years of loyal service to the retail stores of the city.

Cleveland Bureau Expands

The Cleveland Retail Credit Men's Company, Cleveland, Ohio, known as the Credit Bureau of Cleveland has leased 5,200 additional square feet of space in the National City Building, Cleveland. These quarters are being remodeled to accommodate the Special Report, Stenographic, Protective, and Bookkeeping divisions. The bureau first occupied a small office in the old Chamber of Commerce Building; moved to its present location in 1928, expanded to take the entire floor in 1934, and now is expanding its space another 50 per cent.

Mrs. Lillian Lawrence Honored

Mrs. Lillian Lawrence of Gustke & Sons Furniture Company, Battle Creek, Michigan, was named "credit manager of the year" at the first annual Bosses' Breakfast of the Battle Creek Credit Women's Breakfast Club. The award, a bronze plaque, was presented by William E. Matthews, assistant manager of the Credit Bureau. Mrs. Lawrence is president of the club and is also president of District Five, N.R.C.A. A highlight of the breakfast meeting was the presentation of certificates by Mr. Matthews to a large number of the club for high attainment in the study course in credit management.

J. C. Gilliland Gives Address by Telephone

Recently Immediate Past President, J. C. Gilliland talked to the monthly meeting of the Broward Retail Credit Association, Fort Lauderdale, Florida, by long distance telephone. Arrangements were made through the courtesy of the Southern Bell Telephone Company of that city. Charles Lassa, Secretary, Broward Retail Credit Association was first introduced to Mr. Gilliland. He, in turn, introduced George Ernst, Vice President of the Association, who started a two-way interview. Mr. Gilliland then gave his address after which he talked briefly with J. S. Graham, Manager, Credit Bureau of Broward County. He had attended the annual meeting of Districts Three and Four in Atlanta, Georgia, and commented on the talk Mr. Gilliland had given there. The plan of addressing groups by telephone is increasing in popularity and it is an effective and economical method for anyone to address meetings throughout the country without leaving his home city.

Consumer Credit for April

CONSUMER INSTALMENT credit increased $423 million during April, after allowance for seasonal influences. The increase was the largest for any month since 1955. Extensions, seasonally adjusted, rose to a new high of $3,939 million while repayments increased to $3,516 million. Credit for purchases of consumer durable goods accounted for the major portion of the growth in total outstanding credit. Automobile paper rose $220 million while other consumer goods paper increased $120 million. Personal loans and repair and modernization loans continued their steady upward trend. Outstanding noninstalment credit rose $56 million during April after allowance for seasonal influences. The increase reflected primarily the continued expansion in single payment loans. Total consumer credit during the month increased $479 million.—Federal Reserve Board.

New Officers of CMD

The officers and directors elected by the Credit Management Division of the National Retail Merchants Association during its twenty-sixth annual conference, held recently at the Hotel Statler, St. Louis, Missouri, are: Chairman, Charles F. Naumann, Lansburgh's, Washington, D. C.; First Vice Chairman, David W. Bollman, Joseph Horne Company, Pittsburgh, Pennsylvania; Second Vice Chairman, Guenter Borg, Gimbel Brothers, Philadelphia, Pennsylvania; Third Vice Chairman, E. M. Arthur, Woodward and Lothrop, Washington, D. C.; and Secretary-Treasurer, William F. Cofer, Jr., Neiman-Marcus Company, Dallas, Texas. A. Leonidas Trotta continues as Manager of the Division. Newly-elected directors: John Gribbon, R. H. Macy & Company, New York, New York; E. T. Sullivan, H. P. Wasson & Company, Indianapolis, Indiana; Clare L. Prowse, Demery's, Detroit, Michigan; and Charles E. Dougherty, Jordan Marsh Company, Boston, Massachusetts. Re-elected directors: Dean Ashby, The Fair, Fort Worth, Texas; William Benson, Schuneman's, St. Paul, Minnesota; William Cofer, Jr., Neiman-Marcus, Dallas, Texas; Kenneth Oetzel, Boyd's, St. Louis, Missouri; S. C. Patterson, J. C. Penney Company, New York, New York; Grant Snell, Robert Simpson, Toronto, Ontario, Canada; and Vern Svendson, Leon Godchaux Company, New Orleans, Louisiana.

Petroleum Credit Managers Meet

The Statler Hilton Hotel, Buffalo, New York, was the site of the 22nd Annual Conference of the Association of Eastern Petroleum Credit Managers, April 27-29, 1959. In attendance were delegates from nearly 25 of the principal oil marketers having local offices in the northeast section of the country, from various credit reporting agencies, and from other credit service companies. Elected as new officers were: President, J. W. Obenhoff, Shell Oil Company, New York, New York; and Vice Presidents, S. J. McCarthy, Tidewater Oil Company, Boston, Massachusetts, J. S. Neff, Gulf Oil Corporation, Pittsburgh, Pennsylvania, and A. I. Richardson, Sun Oil Company, Philadelphia, Pennsylvania. Re-elected were: Secretary-Treasurer, C. M. Mathewson, Cities Service Oil Company, Boston, Massachusetts; and Assistant Secretary-Treasurer, D. R. Meredith, Credit Association of Western Pennsylvania, Pittsburgh, Pennsylvania. The new Board of Governors includes: J. R. Harding, Richfield Oil Corporation of New York, New York, New York; C. R. Kemerer, The Atlantic Refining Company, Syracuse, New York; J. A. Kopps, The Texas Company, Philadelphia, Pennsylvania; N. F. Lawson, Jenney Manufacturing Company, Boston, Massachusetts; L. L. McCombs, Sterling Oil Division of Quaker State Oil Refining Corporation, Emlenton, Pennsylvania; J. C. Stacks, The Atlantic Refining Company, Pittsburgh, Pennsylvania; R. A. Tooke, The Atlantic Refining Company, Philadelphia, Pennsylvania; and W. E. Youngman, The Texas Company, Buffalo, New York.

The Book Shelf

The 3 R's of Direct Mail is the title of a new booklet published by The Reply-O-Letter Company, 7 Central Park West, New York 23, New York. Several direct mail techniques are described in this 34-page booklet. In every case the basic concepts developed by this pioneer organization are spelled out. They include: how the manufacturer uses mail to back up his own salesmen, his distributors, dealers, and jobbers; the problem and the arithmetic of selling subscriptions and books by mail; how retailers open charge accounts and keep them active by mail; how to raise funds by mail; how to clean a mailing list; how life insurance companies, stock brokers, mutual funds and other sellers of services employ the medium, and why.

Strategy for Investors (Semagraph Security Studies, 1024 North Boulevard, Oak Park, Illinois, 90 pages, $2.00). This book details sound strategy and tactics any investor can use to deal wisely and successfully with the stock market. John D. Clarke, a registered investment advisor, market analyst, and the editor of internationally-known Semagraph Security Studies, describes in plain, everyday language exactly what to do, when and how to do it, in both bull and bear periods, and during the mixed markets that so often fool expert and general public alike. Mr. Clarke's approach differs greatly from the usual methods of forecasting. His is an objective aproach by which the reader soon develops his own precise mathematical method, and a simple one at that, for making the wise decisions necessary to achieve continuous success in the stock market.

Wholesaling (The Ronald Press Company, 15 East 26th Street, New York 10, New York, 705 pages, $8.00). This is the third edition of this popular book by Theodore N. Beckman, Professor of Business Organization, The Ohio State University; Nathanael N. Engle, Professor of Marketing, University of Washington; and Robert D. Buzzell, Assistant Professor of Business Organization, The Ohio State University. Long recognized as the definitive work on wholesaling, this Third Edition is a thorough analysis of the American wholesaling system and a comprehensive treatment of wholesaling management. Significant new concepts and developments concerning cost accounting, value added, productivity, performance measures in managerial control, materials handling, and electronic data processing are all discussed, and the most recent quantitative data are used. The appendix contains specially prepared case problems which will facilitate the use of the book in management training programs.

Items of Interest From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

Annual Report

THE ANNUAL MEETING of the Legislative Committee is one of the important tasks of Washington Counsel. Moreover, the minutes of that meeting contain a summary and up-to-date status of principal items worked on during the year. The minutes, therefore, afford both a detailed statement of this important activity and brief outline of main items of the year's program.

In addition mention should be made of the year-long effort devoted to preparation of The CREDIT WORLD articles, which have sought in the main to cover in some detail important subject-matter or specific current developments thereof, or court or agency decisions, in which N.R.C.A. has an interest. The time and effort involved in the preparation of these articles, however, is but a small part of that consumed in keeping current and maintaining subject-matter files touching legislation, actions of executive departments and agencies, and, generally, decisions of courts and quasi-judicial agencies on both new legislation and new interpretations of old law.

Minutes of the Meeting of the Legislative Committee Statler Hilton, Washington, D. C., May 13, 1959

The following were present: J. P. Stedehouder, Chairman, Central Charge, Inc., Washington, D. C.; Clarence E. Wolfinger, Retired (Lit Brothers, Philadelphia, Pa.); John K. Althaus, Credit Bureau, Inc., Washington, D. C.; C. F. Roycroft, Credit Bureau of Baltimore, Inc.; Earle A. Nirmaier, W. Wilderotter & Co., Newark, N. J.; E. M. Arthur, Woodward & Lothrop, Washington, D. C.; R. M. Severa, Credit Bureau of Greater N. Y., Inc.; L. S. Crowder, General Manager-Treasurer, N.R.C.A. and John F. Clagett, Washington Counsel, N.R.C.A.

Guests

Hollis W. Burt, Executive Director, National Association of Supervisors of State Banks; William J. Cheyney, Executive Vice President, National Foundation for Consumer Credit; Thomas B. Curtis, Congressman from Missouri; Edwin C. Covey, Chief, Bankruptcy Division, Administrative Office of the U. S. Courts; Harold L. Schilz, Federal Housing Administration; Donald E. Durick, Executive Secretary, American Industrial Bankers Association; Robert A. Fischer, Executive Director, Consumer Bankers Association; Rowland Jones, Jr., President, American Retail Federation; John C. Hazen, Vice President-Government, National Retail Merchants Association; James P. Low, Manager, Association Service Department, Chamber of Commerce of the U. S.; Glenn B. Sanberg, Executive Vice President, American Society of Association Executives; J. W. Fauquier, Salesmanager, Statler Hilton Hotel; Abe Coonin, William Hahn & Co.; Sam E. Collegeman, Cherrydale Hardware; and Frank P. Scott, Retired (Woodward & Lothrop).

J. P. Stedehouder, Chairman, presided. The reading of the minutes of the last meeting were dispensed with.

Chapter XIII—Wage Earners' Plans: It was noted that since the last meeting N.R.C.A.'s analytical article on the provisions and procedures of Chapter XIII of the Bankruptcy Act had been completed and published in the November 1958 issue of The CREDIT WORLD, and that reprints of that article are available. It was further noted that in the report of the meeting of the Judicial Conference held at Washington in the fall of 1958 the following recommendation had been adopted:

"The Committee (on Bankruptcy Administration) reported that substantial progress has been made in the effort to better acquaint the referees, petitioners in Bankruptcy, attorneys, credit associations and other like associations with Chapter XIII and the desirability of its use in appropriate cases. The Committee has requested the Bankruptcy Division (of Administrative Office of the U. S. Courts) to continue its efforts along these lines."

It appeared that as a result of these developments there has been a substantial stimulation in thinking and knowledge concerning Chapter XIII. Not only has there been increased filings by wage-earner employees, but there has been a public discussion in articles and otherwise, including the January and April 1959 issues of the *Journal of the National Association of Referees in Bankruptcy*.

It was pointed out that in line with such diffusion of knowledge and increased filings, Chapter XIII had been substantially improved and its coverage broadened by the elimination of the $5,000 ceiling on wages, Public Law 86-24 signed by the President May 13, 1959. Thus a long-time interest of N.R.C.A. had been accomplished.

Consumer Credit Controls: This topic was explored in broad outline as to the year's and current developments. Although there has been no definite threat that direct controls, similar to Regulation W, would be reestablished on consumer credit, yet there have been overtones in both legislative and administrative areas. Cited was S. 63, a bill by Senator Bush (R. Conn.) "to authorize the Federal Reserve Board to impose controls over instalment credit . . ."; the "economic questionnaire" put out by the Joint Economic Committee which included a favorable vote of 413 out of 613 answers received from economic professors on the question of providing standby control authority; and legislation proposing to establish a "Department of Consumers," with a cabinet officer at its head.

This subject should be watched closely especially if inflationary pressures increase. Resolution adopted opposing S. 63.

Debt Pooling, Budget Planning, etc.: These operations which first appeared in a substantial way about 1954 seem to have abated. State legislation and court decisions have no doubt played a part; also the recession may have been a factor in the last half of 1957 and 1958. It was noted that Illinois had adopted a regulatory act (described in some detail in the December 1958 issue of The CREDIT WORLD). A District of Columbia bill in Congress passed the House in the 85th Congress. This bill like the Illinois Act, started out as a prohibitory act, but ended up as a regulatory one designed to "regulate debt poolers to death." A similar bill, H.R. 5409, is now before the House.

Garnishment Legislation: Congressman Thomas B. Curtis (R. Mo.) again offered his bill to make garnishee process applicable to federal-employee judgment debtors, H.R. 2991. When he introduced this bill Congressman Curtis said:

"Everyone benefits by the discipline of garnishment as we have learned long since in the nongovernmental sector of our society. The creditors will benefit. The Federal employees will find their credit rating is improved. The Federal administrators will find that the administrative time they have to spend on the failure of their employees to pay their bills will be lessened."

It was noted that in the several attempts to get the "national" garnishment bill through Congress, one of the difficulties has always been the poor reputation of the District of Columbia garnishment law, which has been called a "garnishment racket" or "garnishment mill," benefiting primarily the few "borax" merchants who use it as the basis for the extension of credit. A bill for the District of Columbia, H.R. 836, designed to bring the subject up to date, has passed the House and is now pending in Senate committee. If this bill is passed it may improve chances of passage of the Curtis bill substantially. Resolution adopted supporting Curtis bill.

Shoplifting: A bill in Congress, H.R. 2511, designed to aid the retail merchants of the District of Columbia was discussed. Shoplifting, like virtually every category of crime (as indicated by the FBI Uniform Crime Reports) has increased sharply, and represents a national problem affecting the merchant. District of Columbia merchants have estimated the cost of shoplifting to them to amount to $12 million annually. The main provision of the bill as stated in the House Report recommending passage (No. 339, 86th Congress) is "to relieve store personnel from the threat of false arrest suits." This is accomplished by providing that if a merchant or his agent "had probable cause" to believe that a person had concealed goods he shall not be held civilly liable in connection with the arrest of such person. Resolution supporting principle of this type of legislation.

Skip Tracing: Mr. Clagett reported that the problem of use of deceptive practices in skip tracing seems to be a continuing one, and that the Federal Trade Commission generally has at least one current investigation going. The lack of teeth in the cease and desist procedure, difficulty of enforcement, and the oportunity for evasive tactics present some of the problems. One of the most objectionable features of deceptive schemes used in the past has been use of names and/or symbols to indicate a conection with the United States government. As a result Senator Langer (R. N. D.) has again introduced his bill, S. 355, to make it a criminal offense to use "federal" names, insignia, symbols, etc., "for the purpose of conveying the false impression" that such business is a department or agency of the United States. The bill has been favorably reported by the Senate Judiciary Committee and it has passed the Senate. Resolution favoring in principle such legislation.

State Regulation of Instalment Sales: It was noted that a number of states have been or are considering legislation on this subject. The problem is similar to topics covered by the proposed "Uniform Commercial Code," adopted thus far in Pennsylvania and Massachusetts. However, small loan or consumer loan laws and instalment sales regulations are not included in the proposed "Uniform Commercial Code," the original draft of which was put out in 1952 through the joint efforts of the American Law Institute and National Conference of Commissioners on Uniform State Laws. State legislators need the assistance of well informed credit executives. The actual cost attached to the credit department needs further study. It was noted that Arthur E. Kaiser, past vice president of N.R.C.A. would address the forthcoming international conference at Dallas on this subject.

Miscellaneous Bankruptcy Amendments: Mr. Crowder referred to several communications received at St. Louis relating to amendments and improvements. It was agreed that Mr. Clagett should discuss these with the head of the Bankruptcy Division of the Administrative Office of the U. S. Courts, Edwin L. Covey. (This has been accomplished as of this writing and interested parties will be advised.) It was noted that a number of bills are pending in this Congress, including H.R. 2236, limiting priority and nondischarging of taxes (for discussion of same bill in 85th Congress see The CREDIT WORLD, September 1958).

Miscellaneous: A number of topics of general interest were covered, including the proposal for a commemorative stamp honoring an appropriate anniversary of consumer credit; Hoover Commission recommendations; Senator Williams' (R. Del.) publicity campaign on delinquent withholding and other federal taxes; the extension of credit at military stores (P.X.'s); the problem of charging for "whereabouts" information by government agencies, etc.

Luncheon: The Committee provided its customary delightful luncheon and besides members attending, a number of guests as indicated were invited and attended. Congressman Thomas B. Curtis who is a member of the Ways and Means Committee of the House, and of the Joint Economic Committee of Congress, gave an interestingly delivered and informative short speech at the conclusion of the luncheon. ★★★

New Addresses

The new address of the Credit Granters' Association of Canada and Associated Credit Bureaus of Canada is now 66 Portland Street, Toronto 2B, Ontario, Canada, and the new address of the Credit Bureau of Calgary is 720 Seventeenth Avenue, S. W., Calgary, Alberta, Canada.

Credit and Collection Procedure

Don't Let Strangers Take You In

LET US NOT forget the importance of antecedent information in passing on new accounts. We surely do not invite a complete stranger into our homes and give him lodging and food without knowing something about him.

The same principle should apply when we are allowing our firm's merchandise to be taken out of the store and used and worn out without payments. Our job as Credit Sales Managers is to select the best risks because our accounts receivable are just as valuable as inventory. An account is worthless unless it can be collected.

We must base our credit procedure upon the history of the applicant, his capital and his capacity. The history definitely is a prominent factor in determining the character of an individual showing us his stability and his past operations.

Recently a young lady came into our store and selected a large bill of furniture. She had recently returned from overseas and was dependent on an allotment from her husband for support. She claimed never to have had any accounts and was difficult to interview. She could hardly remember where she had lived because it had been so long since she had been stationary. We called the Credit Bureau as we always do and the reporter found a newcomer file in which she had shown a former address in a Texas city. We had no references there, but told them to write the Bureau in that city. Even the reporter thought we were foolish, but we were playing a hunch. The report came back with four furniture repossessions in December, 1958, and two bills with no payments since November, 1958. She admitted the whole thing when we told her we could not sell her. She would not pay. She was a drifter and we would have lost considerably if we had sold her. She came home because she would not pay her bills and she had to have a place to live. That is a typical case of so many that feel no responsibility for their obligations.

Recently another customer came into our store and selected a television. We called the Bureau and found that he had been in the city for only about six months. He was amazingly in debt here but, of course, the local accounts were just beginning to become past due. We asked for a recheck on the trade from the neighboring city. We were not disappointed when we found that he still owed every account that he had made there and most of it on P & L. This person was a dead beat. Why did he want to pay his bills in the other city when he had all the credit he needed here? He will probably leave his Birmingham creditors holding the bag and move on to another city.

Surely credit is the life line of all business and we are happy to extend it. We despise to have to decline an account. Yet we are expected to select desirable risks to help our boss meet expenses. That is what we intend to do and he furnishes us willingly with the right to spend what it takes to determine the risk through the Credit Bureau.

When we do not do our part to handle our jobs, we are the losers. Let us be cautious in getting credit information. The more complete information we have the better equipped we are to collect our bills.

Although those two individuals mentioned above had to be declined, we usually get five to one favorable and good applicants. We can determine the amount of bills they are able to handle and we feel like we know our customers better. Let us make them friends and not be taken by strangers.—J. H. Wise, R. B. Broyles Furniture Company, Birmingham, Alabama. ★★★

LOCAL ASSOCIATION *Activities*

Bristol, Pennsylvania

The Retail Credit Managers Association of Lower Bucks County, Bristol, Pennsylvania, has elected as its new officers: President, William L. Allen, Jr., King Finance Corporation; Vice President, Carl W. Hodgert, Bristol Printing Company; Secretary, Howard K. MacCorkle, Bucks County Credit & Collection Bureau; and Treasurer, John E. Freund, Greater Finance Corporation. Directors: George E. Gardner, Meenan Oil Company; John D. Browne, Pomeroy's; and Edward Kubichar, Union Supply Company.

Evansville, Indiana

The 1959 officers and directors of the Evansville Credit Granters Association, Evansville, Indiana, are: President, Lynn Waller, Indian Finance; Vice President, Richard Roeder, Kruckemeyer & Cohn; Secretary, Dorothy Fleener, The Glidden Company; and Treasurer, G. F. Spindler, Credit Bureau of Evansville. Directors: Gus Spindler, Credit Bureau of Evansville; Cecil Reid, Commonwealth Loan Company; Mrs. Mildred Koch, Bon Marche; Mrs. Elzora Scheller, Smith & Butterfield; Mrs. Lillian Montgomery, The Evansville Store; and A. P. Walling, Professional Services Loan Company.

Albany, Georgia

The Albany Retail Credit Association, Albany, Georgia, has elected as its new officers: President, J. Ray Perkins, Miller Motor Company; First Vice President, Mrs. Nell Nesbitt, Churchwells; Second Vice President, Cliff Cambell, C & S Bank; and Secretary-Treasurer, Mrs. Maggie Skandamis, Credit Bureau of Albany. Directors: B. E. Hatcher, Allied Finance; C. E. Bentley, Mutual Loan; Beaulah Penninghton, Rosenberg's; George Mallory, Medical Credit Bureau; and Richard Bowman, Consolidated Loan.

Moncton, New Brunswick, Canada

At the January meeting of the Credit Grantors' Association of Moncton, Moncton, New Brunswick, Canada, the following executives were elected: President, Don McIver, The T. Eaton Company Maritimes Ltd.; Vice President, R. W. Skeat, Steeves Motors Ltd.; and Secretary-Treasurer, Harvey Lutes, The T. Eaton Company Maritimes Ltd. Programs along educational lines under Chairman A. E. Wilbur, Sumner Company Ltd., have proved interesting to the Moncton group and a definite increase in membership has been noted. At the January meeting, L. D. Hutchinson, Mail Order Operating Manager, The T. Eaton Company Maritimes Ltd., was guest speaker. A seminar on effective collection methods was very successful in February. At the meeting held in March, Mrs. Madeline Davidson, Victoria Paper Company, discussed the proper use of the English language in letter writing. Gilbert Walters, Ed Hosford, Orlie Fowler, Harvey Lutes, Carr Thompson, Ev Roney, and Alfie Wilbur composed a panel discussion on credit problems at the April meeting.

Norfork, Virginia

The Retail Credit Executives Association, Norfolk, Virginia, has elected as its 1959 officers and directors: President, Ivan Thompson, Jr., W. G. Swartz Company, Inc.; Vice President, Robert Peck, Retail Merchants Collection Service; and Secretary, Kathleen Hirshman, W. G. Swartz Company, Inc. Directors: Reed Pollard, Smith & Walton, Inc.; John Johnson, Colonial Finance Corporation; and Robert Boyd, Seaboard Citizens National Bank.

Baton Rouge, Louisiana

Elected as the officers of the Credit Bureau of Baton Rouge, Inc., Baton Rouge, Louisiana, during the annual meeting of its Board of Directors were: President, Ray Selig, Rosenfield's House of Fashion; Vice President, F. J. Bahlinger, Jr., Kornmeyer Furniture Company; and Treasurer, Edgar A. Sowar, Louisiana National Bank. Reappointed were: Executive Vice President-Secretary, Elmer A. Uffman; and Assistant Secretary-Manager, Ken Uffman. Directors: A. K. Andrews, American Bank and Trust Company; Henry Cohn, Welsh and Levy; Clyde P. Didier, Baton Rouge Savings and Loan Association; William J. Doran, D. H. Holmes Company; L. C. Thibodeaux, Miller Buick Company; Mrs. M. J. Galloway, Goudchaux's; Ed Vincens, Montgomery Ward; Al Kessler, Southern Bell Telephone and Telegraph Company; J. B. Kleinpeter, Fidelity National Bank; Joseph Lewis, Atlas Esso Service Center; A. L. Bryan, Jr., Home Finance Service; E. L. Dalton, Allen Parker Finance Company; Ogden Hall, Hall-Denham Hardware; and Harold Ourso, Ourso and Company. Advisory Board: Fred Bahlinger, Sr., Kornmeyer Furniture Company; Evans Roberts, Welsh and Levy; and Louis Selig, Rosenfield's House of Fashion. Honorary Board Members: Marion Brooks; Abner Causey, Star Furniture; J. M. Shanahan, Southern Bell Telephone and Telegraph Company; and Elizabeth Core, Currie Lumber Company, President, Credit Women's Breakfast Club.

Chattanooga, Tennessee

The 1959 officers and directors of the Retail Credit Men's Association, Chattanooga, Tennessee, are: President, D. B. Harris, Jr., Hamilton National Bank; Vice President, Leslie L. Hudson, Johnson Tire Company; and Secretary-Treasurer, George W. Lundy, The Retail Credit Men's Association. Directors: R. B. Brotbeck, Miller Brothers Company; N. R. Burgner, A. Fassnacht & Sons; Walter P. Coppedge, American National Bank & Trust Company; E. R. Cullis, Electric Power Board; Jack Emmert, Loveman's; D. B. Harris, Jr., Hamilton National Bank; Mrs. Jo Hubbard, Sterchi Bros. Stores; Leslie L. Hudson, Johnson Tire Company; W. T. Hutson, Gilman Paint Company; Kenneth McLemore, Hajoca Corporation; Stella Murphy, Citizens Savings & Loan Corporation; Hubert A. Pless, Jr., Real Estate Management, Inc.; W. M. Richards, Erlanger Hospital; Reed F. Turner, Sewanee Coal & Supply Company; and Mrs. Inez McGaughy, Pickett's, Inc.

Granting Credit in Canada

Today's Credit Problems

JACK REYNOLDS, ***Assistant Credit Manager,*** **Weaver Coal Company, Toronto, Ontario, Canada**

"CREDIT HAS done a thousand times more to enrich mankind than all the gold mines in the world." These words, spoken over a century ago by Daniel Webster, are even more applicable today as credit is playing an increasingly important part in our economy. Modern business dealings are founded on credit, without which our complex economic structure could not possibly function.

Credit is an essential factor in the production and distribution of goods and the rendering of services. What is credit? Basically it is "man's confidence in man." It involves the exchange of goods or services for a promise to pay at some future date.

In the early development of the English colonies in North America lack of money and banking credit facilities often forced English merchants to extend credit to their colonial customers for periods as long as a year. As the United States became industrialized, credit extension could no longer be based on reputation alone and the length of the credit extension period was generally reduced. In the 1870's, terms of one year or more were the exception rather than the rule. By 1900 credit terms, more or less similar to those in use today, had been developed. Today statistics show that 90 per cent of manufacturers' and wholesalers' total sales involve credit.

Efficient Credit Management

Because of the great increase in credit selling and because the financial stability of many firms depends heavily on sound credit operations, it is only natural that a need for efficient credit management has arisen. The businessman can no longer rely entirely on his personal knowledge of the integrity of his customers. In fact, he no longer possesses much detailed information about those who buy from him and is obligated to turn to published reports, credit information bureaus and other sources. Today many firms employ specialists in credit management and the emergence of credits and collections as a full-time activity poses many problems of organization for the modern business.

The primary goal of every credit department is to accept the maximum amount of credit sales and at the same time hold losses from bad debts down to an absolute minimum. If the credit department can successfully meet this dual objective and has efficient and economical operations, it can contribute greatly to the success of the company.

In today's free wheeling, easy credit economy with household equipment of all kinds offered at cut-rate prices—no down payment required, 24 to 36 months to pay, open credit at all stores—we find the average citizen living almost entirely on credit. His pay cheque is barely sufficient to meet his regular instalment payments, rent and other commitments, leaving a small margin to cover other bills.

I would like to deal with credit extension at the retail level and the wholesale level. First, I would like to deal with the retail level whose credit problems are usually more numerous than a wholesaler's because there are usually more accounts involved, however the dollar amount per account is much smaller. Some of the suggestions I am about to make are based on my own experiences and these experiences were used to formulate our company's credit procedures for our retail companies. The Credit Manager of a company should not be responsible to sales and in particular to the sales manager. He should be responsible to top management. I think the reason for this is fairly obvious. There is always a conflict between sales and credits because sales are looking for volume and credit departments are trying to protect the company from losses through bad debts. A sales-minded credit manager in any organization is a must. This type of individual will do everything in his power to put the sale through, providing he can substantiate the risk. After all, he is responsible at year end for bad debt write-offs to management. It is his responsibility to make sure that the customer has the three C's of credit granting—Character, Capacity and Capital.

In any retail organization the sales department should submit to the credit department, the contract between the customer and the company and also a credit application, completed in detail. The credit application should have initially been drawn up by the credit manager containing questions which he feels are pertinent and which will give him a better assessment of the account. The credit department will then process this account by obtaining either a written or verbal report from the local credit bureau, if one exists. A permanent record should be kept of the customers credit report since this record is invaluable if the account begins to slow down.

Best Collection Methods

By having this record it is much easier for the credit department to determine what is the best method to be used to effect collection with this particular individual. If the account is approved for credit the contract for the sale is then returned to the sales department initialled by the credit manager or someone in his department. If the account is turned down for credit the customer must be notified by the credit department, preferably in writing with a copy to sales. *Under no circumstances* must the customer be told why his credit was refused. Simply say that he or she does not meet with your credit requirements. A notation to the effect that the customer was declined should be made on the permanent credit record.

The day to day work of the credit department involves the following of past-due accounts for collection. I cannot stress enough the importance of having a systematic daily follow-up of accounts that must be rigidly adhered to. A hit and miss type of collection effort will only get your company into trouble. It is the responsibility of the Credit Manager to see that the systematic

follow-up is put in and adhered to. No accounts should be given to an outside agency for collection, or put in Division Court without the approval of the Credit Manager. Customers are too hard to come by today, so one person should be responsible when drastic action is required and only after he is convinced that all his department's collection methods have been exhausted.

When a company's year end approaches it is the credit manager's responsibility to list his write-offs to bad debts and set up his reserves for the coming year. This is important to a company, because there are tax concessions involved.

To briefly sum up the retail level, credit reports from your local credit bureaus should be obtained on *all* accounts before the merchandise or product is delivered. A rigid daily collection follow-up should be set up and adhered to. Bad debts and reserves should be gone over in great detail since there is a tax concession involved.

The wholesale level presents, in most cases, an entirely different problem since you are not dealing with individuals in most cases, but with companies and the sums of money involved are much larger. The responsibilities of the Credit Manager at the wholesale level is the same as at the retail level. The credit applications should flow from sales to credit in the same manner. The most valuable source and usually the only source of clearing companies for credit is through Dun and Bradstreet. They give you the antecedents, operation and location, financial situation and trade reports. The two most important of these being financial and trade reports. In many cases Dun and Bradstreet publish audited financial statements and as we all know, figures do not lie and we can, from this, determine the financial stability. Are the ratio of assets to liabilities in line, giving the company the needed working capital? How do the receivables compare to the payables? What is the net worth and is the company operating at a profit?

Although the financial statement is probably most important, also as important is the length of time the company has been in business, the business know-how of management and the trade reports. If a financial statement is not published and the information in the report is sketchy the company should be asked for one, if the amount of credit to be extended is sizeable. The banks, as a rule, are poor sources of credit information and are usually disregarded by most Credit Managers as a source of information. If it is found that a company is operating on its own funds without bank assistance by way of an assignment of accounts receivable or section 88 of the bank act, you will nearly always find this company's financial position to be good.

After thoroughly assessing the company and it meets with the credit requirements, the approval is then sent to sales and a file set up for this account. Here again the same day to day collection follow-up is maintained and adhered to. Something that must be watched for after you have been selling are: If a company that was previously a single ownership or a partnership becomes "limited," how does this affect your position? In passing the credit of this company previously you may have looked at the personal assets of the owner or partners and since they were substantial and would be liable for the liabilities of the business you decided to go along. Now that the company is "limited" the owners are now only liable for the assets of the business and their personal assets no longer enter into the picture. This could affect your thinking on this account. If an account starts to become slow and in looking the situation over, you find that working capital is tied up in heavy slow moving accounts receivable or some capital expenditures were made when that degree of financing was not there. The first thing that should be considered is, should you be secured for the extra credit accommodation you are giving by way of an assignment of account receivable or chattel mortgage.

It may be well worth your while to loan this company some money on a fully secured basis. This is desirable if the funds are available to do this type of thing. The money loaned to this company is credited to your outstanding account bringing it current, you are now secured usually in excess of your loan and are getting interest which you were not previously getting on the past-due account. Your customer is usually appreciative of this type of assistance and chances are you have a customer for life. This is but one of many ways a wholesale credit manager can treat an account. Each slow paying account has to be treated on its own merits. Sometimes you are much better off without a large volume, low margin, slow-paying account because chances are you are just breaking even and possibly losing money and after all, we are all in business to make money.

I think the most important thing a wholesale credit manager must be able to do is quickly access a slow-paying account and go out to see the customer armed with several suggestions and sit down and discuss the reason for the slowness. The credit manager must be able to determine, on the spot, whether the slow situation is temporary and if a payment schedule can be worked out. After all it takes a lot of retail accounts to substain the same loss that could take place in one wholesale account.

Briefly summing up at the wholesale level, a thorough analysis must be made of information on hand to determine financial responsibility. A rigid daily follow-up must be made of all accounts and adhered to.

I think the preceding shows a definite similarity in the duties of a credit manager and credit department. In both cases the approving of credit is based on an accumulation of all available information and a close analysis of this information to determine credit worthiness or the old adage "Would I loan this man or company money out of my own pocket?" Unfortunately there are still credit managers today who never get out to see their customers and who follow the straight line in credit granting and are not the least bit flexible. Credit people today must, at all costs, be sales minded and must be, at all times, conscious of the things that will improve their departments, such as correct telephone manners, letter writing and public relations in general. All these things create customer goodwill and lend tremendous strength to the adage "Better Sales Through Better Credits."

There is one trend that is becoming more predominate today and that is the discontinuance of the term Credit Manager. Many companies today are referring to their credit managers as Managers of Credit Sales, Accounts Managers, etc. I think this is an excellent idea because Credit Manager always seems to put people on the defensive which is the thing that should be avoided. Credit work today is a very specialized field and plays a predominant part in any organization. ★★★

Reading this publication carefully and regularly will contribute to your success as a Credit Executive.

William H. Blake

Welcome Hawaii!

IT IS MY PRIVILEGE, on behalf of the 47,000 members of the National Retail Credit Association, to extend an official welcome to the people of Hawaii, our 50th State.

Several times during the past 15 years, I have had the pleasure of visiting your beautiful country and talking with your wonderful people.

Your stores, transportation, homes, schools, hotels, and churches are the finest. The warmth and friendliness of your people always make visitors sorry to leave and anxious to return.

The military installations which constitute a basic part of your Islands give all of us a comfortable feeling of security. Your gallantry has caused all of us to respect and admire you.

The high academic standards maintained in your primary and secondary schools have practically erased illiteracy from your islands. Graduates of your colleges and universities have contributed immeasurably to the health, welfare, and prosperity of all America.

Basic industries, although in the past largely concentrated in a few areas, are continuing to diversify and will in the future make Hawaii one of our leading states.

Observation of Territorial Credit Week for the second year shows that you are well aware of the advantages of consumer credit and the contribution it has made in raising the living standards of the American family.

Governor William F. Quinn's statement, in an editorial which appeared in the April 14, 1959, issue of the *Honolulu Star-Bulletin,* expressed eloquently his thoughts about credit when he stated, "Once again the people of our nation and this Territory are reminded of the benefits of greater productivity and our expanding economy made possible through the proper use of credit facilities.

"Without proper extension of credit to manufacturers, wholesalers, and consumers, our nation and its people could not continue to enjoy these benefits.

"Credit cannot be properly extended without honest and sincere cooperation between buyers and sellers. Any means that can be utilized to further such cooperation will surely benefit all of the people of the Territory."

Again, Hawaii, we salute you! You have a great deal to contribute. As time goes by all of us sincerely hope that we shall have the opportunity to get to know you better, and to work for your continued progress and development. Last, but not least, we hope to again visit your delightful state.

May God bless you all.

William H. Blake

Executive Vice President
NATIONAL RETAIL CREDIT ASSOCIATION

APPLICATION FOR CREDIT

FOR EXCLUSIVE USE OF MEMBERS OF

NATIONAL RETAIL CREDIT ASSOCIATION

LAST NAME — FIRST NAME — INITIAL — AGE — HUSBAND'S FIRST NAME—WIFE'S MAIDEN NAME

RESIDENCE ADDRESS — TELEPHONE

OCCUPATION — HOW LONG — TELEPHONE

NAME OF EMPLOYER — BUSINESS ADDRESS

FORMER BUSINESS OR OCCUPATION

LOCATION OF REAL ESTATE OWNED — AMOUNT OF MORTGAGE — NUMBER OF CHILDREN: AT HOME — EMPLOYED

RENT HOME ☐ — RENT APARTMENT ☐ — BOARD ☐

NAME OF NEAREST RELATIVE AND RELATIONSHIP (OTHER THAN HUSBAND OR WIFE) — ADDRESS

PERSONAL REFERENCE

NAME OF BANK — CHECKING ☐ — SAVING ☐ — BRANCH

LIFE INSURANCE $ — NAME OF INSURANCE CO — APPROX. INCOME $

TRADE REFERENCES

TYPE OF BUSINESS	KIND OF MDSE. BOUGHT	ACCOUNT IS NOW: OPEN	PAID IN FULL

LIST ON REVERSE SIDE OF THIS APPLICATION ANY UNPAID BALANCES ON INSTALLMENT ACCOUNTS AND MONTHLY PAYMENTS THEREON.

THE ABOVE INFORMATION IS FOR THE PURPOSE OF OBTAINING CREDIT AND IS WARRANTED TO BE TRUE. I AGREE TO PAY ALL BILLS UPON RECEIPT OF STATEMENT OR AS OTHERWISE EXPRESSLY AGREED.

SIGNATURE

DATE — CREDIT LIMIT $ — APPROVED

PRINTED IN U.S.A. FORM No. 1

Four Good Reasons—

—Mr. Manager of Credit Sales, why you should be using this new revised Application for Credit:

1. **Designed for you by outstanding authorities who are N.R.C.A. members.**
2. **Gives you the important information to properly evaluate the account.**
3. **Helps your Credit Bureau prepare report by providing all necessary information.**
4. **Your customer will appreciate the ease and speed of the interview.**

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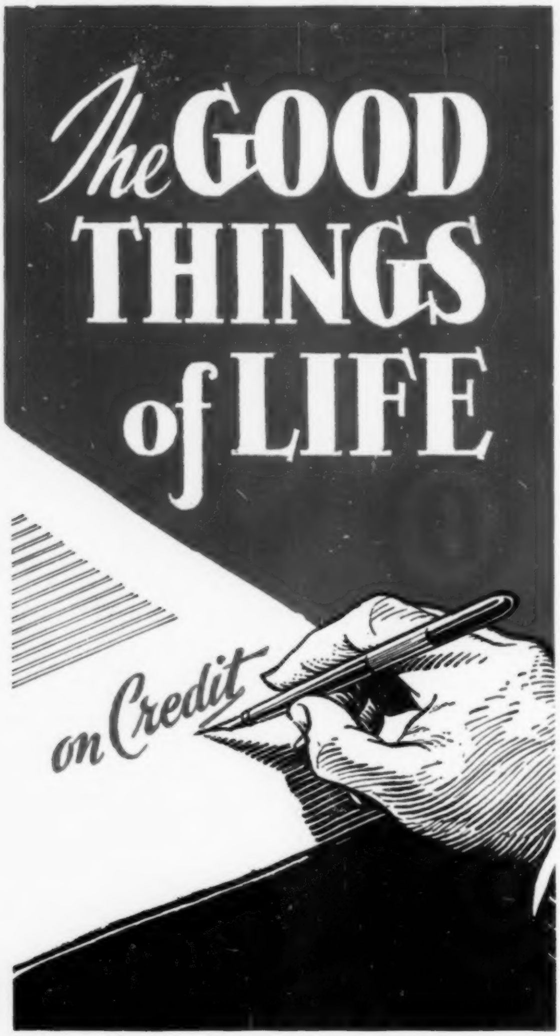

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2. What People Buy on Credit.
3. The Value of Personal Credit.
4. Credit Depends on 2 Things.
5. Your Credit Record Is an Open Book.
6. How to Establish Your Credit.
7. How to Maintain a Good Credit Record.

ON THE LAST page appears the Code of Ethics of the National Retail Credit Association which in itself carries a worth-while educational message to the consumer. On the inside back cover is the National shield containing the slogan "Guard Your Credit as a Sacred Trust." The outside back cover has been left blank so that you may, if desired, imprint the name of your store on it.

THIS BOOKLET covers fully the conveniences and advantages of credit, as well as the necessity for maintaining a good credit record. It is an excellent educational piece to enclose in letters opening new accounts, in sales promotional letters, and in collection letters. The consistent use of this booklet will produce highly satisfactory results whether in the promotion of business or in the collection of past-due accounts. ***

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Order now for use during National Retail Credit Week, April 19-25, 1959

NATIONAL RETAIL CREDIT ASSOCIATION

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